

18A:66-2

LEGISLATIVE HISTORY CHECKLIST
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(State administered retirement systems--amend valuation method)

NJSA: 18A:66-2 et al

LAWS OF: 1992 CHAPTER: 125

BILL NO: A118

SPONSOR(S) Bagger

DATE INTRODUCED: June 25, 1992

COMMITTEE: ASSEMBLY: ---
SENATE: ---

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[FIRST REPRINT]
ASSEMBLY, No. 118

STATE OF NEW JERSEY

INTRODUCED JUNE 25, 1992

By Assemblyman BAGGER

1 AN ACT concerning the State-administered retirement systems
2 and the State Investment Council, revising various parts of the
3 statutory law, repealing section 12 of P.L.1966, c.67, and
4 making an appropriation.

5

6 BE IT ENACTED *by the Senate and General Assembly of the*
7 *State of New Jersey:*

8 1. N.J.S.18A:66-2 is amended to read as follows:

9 18A:66-2. As used in this article:

10 a. "Accumulated deductions" means the sum of all the
11 amounts, deducted from the compensation of a member or
12 contributed by or in behalf of the member, including interest
13 credited to January 1, 1956, standing to the credit of the
14 member's individual account in the annuity savings fund.

15 b. "Annuity" means payments for life derived from the
16 accumulated deductions of a member as provided in this article.

17 c. "Beneficiary" means any person receiving a retirement
18 allowance or other benefit as provided in this article.

19 d. "Compensation" means the contractual salary, for services
20 as a teacher as defined in this article, which is in accordance
21 with established salary policies of the member's employer for all
22 employees in the same position but shall not include individual
23 salary adjustments which are granted primarily in anticipation of
24 the member's retirement or additional remuneration for
25 performing temporary or extracurricular duties beyond the
26 regular school day or the regular school year.

27 e. "Employer" means the State, the board of education or any
28 educational institution or agency of or within the State by which
29 a teacher is paid.

30 f. "Final compensation" means the average annual
31 compensation for which contributions are made for the three
32 years of creditable service in New Jersey immediately preceding
33 the member's retirement or death, or it shall mean the average
34 annual compensation for New Jersey service for which
35 contributions are made during any three fiscal years of his or her
36 membership providing the largest possible benefit to the member
37 or the member's beneficiary.

38 g. "Fiscal year" means any year commencing with July 1, and
39 ending with June 30, next following.

40 h. "Pension" means payments for life derived from
41 appropriations made by the State or employers to the Teachers'
42 Pension and Annuity Fund.

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly amendments adopted in accordance with Governor's
recommendations September 14, 1992.

- 1 i. "Annuity reserve" means the present value of all payments
2 to be made on account of any annuity or benefit in lieu of an
3 annuity, granted under the provisions of this article, computed on
4 the basis of such mortality tables recommended by the actuary as
5 the board of trustees adopts, with regular interest.
- 6 j. "Pension reserve" means the present value of all payments
7 to be made on account of any pension or benefit in lieu of a
8 pension granted to a member from the Teachers' Pension and
9 Annuity Fund, computed on the basis of such mortality tables
10 recommended by the actuary as the board of trustees adopts,
11 with regular interest.
- 12 k. "Present-entrant" means any member of the Teachers'
13 Pension and Annuity Fund who had established status as a
14 "present-entrant member" of said fund prior to January 1, 1956.
- 15 l. "Rate of contribution initially certified" means the rate of
16 contribution certified by the retirement system in accordance
17 with N.J.S.18A:66-29.
- 18 m. "Regular interest" shall mean [interest as] ¹[the assumed
19 rate of return on investments of the assets of the retirement
20 system used to determine the present value of the liabilities of
21 the system, which rate shall bear a reasonable relationship to the
22 percentage rate of earnings on the assets based upon the market
23 value of the assets but shall not exceed the assumed percentage
24 rate of increase applied to salaries plus 3%. The assumed rate of
25 return shall be determined]¹ [annually] ¹[by the]¹ [State
26 Treasurer] ¹[State Investment Council after consultation with the
27 directors of the Divisions of Investment and Pensions]¹ [and the
28 actuary of the fund] ¹[interest as determined by the State
29 Treasurer, after consultation with the Directors of the Divisions
30 of Investment and Pensions, the board of trustees and the
31 actuary. It shall bear a reasonable relationship to the percentage
32 rate of earnings on investments based on the market value of
33 assets but shall not exceed the assumed percentage rate of
34 increase applied to salaries plus 3%, provided however that the
35 board of trustees shall not set the average percentage rate of
36 increase applied to salaries below 6%¹. [It shall bear a
37 reasonable relationship to the percentage rate of earnings on
38 investments but shall not exceed 105% of such percentage rate.]
- 39 n. "Retirement allowance" means the pension plus the annuity.
- 40 o. "School service" means any service as a "teacher" as
41 defined in this section.
- 42 p. "Teacher" means any regular teacher, special teacher,
43 helping teacher, teacher clerk, principal, vice-principal,
44 supervisor, supervising principal, director, superintendent, city
45 superintendent, assistant city superintendent, county
46 superintendent, State Commissioner or Assistant Commissioner
47 of Education, members of the State Department of Education
48 who are certificated, unclassified professional staff and other
49 members of the teaching or professional staff of any class, public
50 school, high school, normal school, model school, training school,
51 vocational school, truant reformatory school, or parental school,
52 and of any and all classes or schools within the State conducted
53 under the order and superintendence, and wholly or partly at the
54 expense of the State Board of Education, of a duly elected or

1 appointed board of education, board of school directors, or board
2 of trustees of the State or of any school district or normal school
3 district thereof, and any persons under contract or engagement to
4 perform one or more of these functions. It shall also mean any
5 person who serves, while on an approved leave of absence from
6 regular duties as a teacher, as an officer of a local, county or
7 State labor organization which represents, or is affiliated with an
8 organization which represents, teachers as defined in this
9 subsection. No person shall be deemed a teacher within the
10 meaning of this article who is a substitute teacher. In all cases of
11 doubt the board of trustees shall determine whether any person is
12 a teacher as defined in this article.

13 q. "Teachers' Pension and Annuity Fund," hereinafter referred
14 to as the "retirement system" or "system," is the corporate name
15 of the arrangement for the payment of retirement allowances and
16 other benefits under the provisions of this article, including the
17 several funds placed under said system. By that name all its
18 business shall be transacted, its funds invested, warrants for
19 money drawn, and payments made and all of its cash and
20 securities and other property held.

21 r. "Veteran" means any honorably discharged officer, soldier,
22 sailor, airman, marine or nurse who served in any Army, Air
23 Force or Navy of the Allies of the United States in World War I
24 between July 14, 1914, and November 11, 1918, or who served in
25 any Army, Air Force or Navy of the Allies of the United States in
26 World War II, between September 1, 1939, and September 2, 1945,
27 and who was inducted into such service through voluntary
28 enlistment, and was a citizen of the United States at the time of
29 such enlistment, and who did not, during or by reason of such
30 service, renounce or lose United States citizenship, and any
31 officer, soldier, sailor, marine, airman, nurse or army field clerk
32 who has served in the active military or naval service of the
33 United States and has or shall be discharged or released
34 therefrom under conditions other than dishonorable, in any of the
35 following wars, uprisings, insurrections, expeditions or
36 emergencies, and who has presented to the retirement system
37 evidence of such record of service in form and content
38 satisfactory to said retirement system:

39 (1) The Indian wars and uprisings during any of the periods
40 recognized by the War Department of the United States as
41 periods of active hostility;

42 (2) The Spanish-American War between April 20, 1898, and
43 April 11, 1899;

44 (3) The Philippine insurrections and expeditions during the
45 periods recognized by the War Department of the United States
46 as of active hostility from February 4, 1899, to the end of 1913;

47 (4) The Peking relief expedition between June 20, 1900, and
48 May 27, 1902;

49 (5) The army of Cuban occupation between July 18, 1898, and
50 May 20, 1902;

51 (6) The army of Cuban pacification between October 6, 1906,
52 and April 1, 1909;

53 (7) The Mexican punitive expedition between March 14, 1916,
54 and February 7, 1917;

1 (8) The Mexican border patrol, having actually participated in
2 engagements against Mexicans between April 12, 1911, and June
3 16, 1919;

4 (9) World War I, between April 6, 1917, and November 11, 1918;

5 (10) World War II, between September 16, 1940, and December
6 31, 1946, who shall have served at least 90 days in such active
7 service, exclusive of any period of assignment (1) for a course of
8 education or training under the Army Specialized Training
9 Program or the Navy College Training Program, which course was
10 a continuation of a civilian course and was pursued to completion,
11 or (2) as a cadet or midshipman at one of the service academies,
12 any part of which 90 days was served between said dates;
13 provided that any person receiving an actual service-incurred
14 injury or disability shall be classed as a veteran, whether or not
15 that person has completed the 90-day service as herein provided;

16 (11) Korean conflict on or after June 23, 1950, and on or prior
17 to January 31, 1955, who shall have served at least 90 days in
18 such active service, exclusive of any period of assignment (1) for
19 a course of education or training under the Army Specialized
20 Training Program or the Navy College Training Program, which
21 course was a continuation of a civilian course and was pursued to
22 completion, or (2) as a cadet or midshipman at one of the service
23 academies, any part of which 90 days was served between said
24 dates; provided that any person receiving an actual
25 service-incurred injury or disability shall be classed as a veteran,
26 whether or not that person has completed the 90-day service as
27 herein provided; and provided further that any member classed as
28 a veteran pursuant to this subsection prior to August 1, 1966,
29 shall continue to be classed as a veteran, whether or not that
30 person completed the 90-day service between said dates as
31 herein provided;

32 (12) Vietnam conflict, on or after December 31, 1960, and on
33 or prior to May 7, 1975, who shall have served at least 90 days in
34 such active service, exclusive of any period of assignment (1) for
35 a course of education or training under the Army Specialized
36 Training Program or the Navy College Training Program, which
37 course was a continuation of a civilian course and was pursued to
38 completion, or (2) as a cadet or midshipman at one of the service
39 academies, any part of which 90 days was served between said
40 dates; and exclusive of any service performed pursuant to the
41 provisions of section 511(d) of Title 10, United States Code,
42 pursuant to an enlistment in the Army National Guard or as a
43 reserve for service in the Army Reserve, Naval Reserve, Air
44 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
45 provided that any person receiving an actual service-incurred
46 injury or disability shall be classed as a veteran, whether or not
47 that person has completed the 90-day service as herein provided;

48 (13) Lebanon peacekeeping mission, on or after September 26,
49 1982, who has served in Lebanon or on board any ship actively
50 engaged in patrolling the territorial waters of that nation for a
51 period, continuous or in the aggregate, of at least 14 days
52 commencing on or before the date of termination of that mission,
53 as proclaimed by the President of the United States, Congress or
54 the Governor, whichever date of termination is the latest, in such

1 active service; provided, that any person receiving an actual
2 service-incurred injury or disability shall be classed as a veteran
3 whether or not that person has completed the 14 days service as
4 herein provided;

5 (14) Grenada peacekeeping mission, on or after October 25,
6 1983, who has served in Grenada or on board any ship actively
7 engaged in patrolling the territorial waters of that nation for a
8 period, continuous or in the aggregate, of at least 14 days
9 commencing on or before the date of termination of that mission,
10 as proclaimed by the President of the United States, Congress or
11 the Governor, whichever date of termination is the latest, in such
12 active service; provided, that any person receiving an actual
13 service-incurred injury or disability shall be classed as a veteran
14 whether or not that person has completed the 14 days service as
15 herein provided;

16 (15) Panama peacekeeping mission, on or after the date of
17 inception of that mission, as proclaimed by the President of the
18 United States, Congress or the Governor, whichever date of
19 inception is earliest, who has served in Panama or on board any
20 ship actively engaged in patrolling the territorial waters of that
21 nation for a period, continuous or in the aggregate, of at least
22 14 days commencing on or before the date of termination of that
23 mission, as proclaimed by the President of the United States,
24 Congress or the Governor, whichever date of termination is the
25 latest, in such active service; provided, that any person receiving
26 an actual service-incurred injury or disability shall be classed as
27 a veteran whether or not that person has completed the 14 days
28 service as herein provided;

29 (16) Operation "Desert Shield/Desert Storm" mission in the
30 Arabian peninsula and the Persian Gulf, on or after the date of
31 inception of that operation, as proclaimed by the President of the
32 United States, Congress or the Governor, whichever date of
33 inception is earliest, who has served in the Arabian peninsula or
34 on board any ship actively engaged in patrolling the Persian Gulf
35 for a period, continuous or in the aggregate, of at least 14 days
36 commencing on or before the date of termination of that mission,
37 as proclaimed by the President of the United States, Congress or
38 the Governor, whichever date of termination is the latest, in such
39 active service; provided, that any person receiving an actual
40 service-incurred injury or disability shall be classed as a veteran
41 whether or not that person has completed the 14 days service as
42 herein provided.

43 s. "Child" means a deceased member's unmarried child either
44 (a) under the age of 18 or (b) of any age who, at the time of the
45 member's death, is disabled because of mental retardation or
46 physical incapacity, is unable to do any substantial, gainful work
47 because of the impairment and the impairment has lasted or can
48 be expected to last for a continuous period of not less than
49 12 months, as affirmed by the medical board.

50 t. "Widower" means the man to whom a member was married
51 at least five years before the date of her death and to whom she
52 continued to be married until the date of her death and who was
53 receiving at least one-half of his support from the member in the
54 12-month period immediately preceding the member's death or

1 the accident which was the direct cause of the member's death.
2 The dependency of such a widower will be considered terminated
3 by marriage of the widower subsequent to the death of the
4 member. In the event of the payment of an accidental death
5 benefit, the five-year qualification shall be waived.

6 u. "Widow" means the woman to whom a member was married
7 at least five years before the date of his death and to whom he
8 continued to be married until the date of his death and who was
9 receiving at least one-half of her support from the member in the
10 12-month period immediately preceding the member's death or
11 the accident which was the direct cause of the member's death.
12 The dependency of such a widow will be considered terminated by
13 the marriage of the widow subsequent to the member's death. In
14 the event of the payment of an accidental death benefit, the
15 five-year qualification shall be waived.

16 v. "Parent" means the parent of a member who was receiving
17 at least one-half of the parent's support from the member in the
18 12-month period immediately preceding the member's death or
19 the accident which was the direct cause of the member's death.
20 The dependency of such a parent will be considered terminated by
21 marriage of the parent subsequent to the death of the member.

22 w. "Medical board" means the board of physicians provided for
23 in N.J.S.18A:66-56.

24 (cf: P.L.1991, c.390, s.2)

25 2. N.J.S.18A:66-18 is amended to read as follows:

26 18A:66-18. The contingent reserve fund shall be the fund in
27 which shall be credited contributions made by the State and other
28 employers.

29 a. Upon the basis of [such] the tables recommended by the
30 actuary [as] which the board of trustees adopts[,] and regular
31 interest, the actuary of the board shall compute annually the
32 amount of contribution, expressed as a proportion of the
33 compensation paid to all members, except veteran members who
34 were employed as teachers on January 1, 1955, which, if paid
35 monthly during the entire prospective service of such members,
36 will be sufficient to provide for the pension reserves required at
37 the time of discontinuance of active service, to cover all pensions
38 to which they may be entitled or which are payable on their
39 account, and to provide for the amount of the death and
40 accidental disability benefits payable on their account, and which
41 amount is not covered by other contributions to be made as
42 provided in this section and the funds in hand available for such
43 benefits. This shall be known as the "normal contribution." The
44 actuary shall redetermine the normal contributions for the
45 retirement system as of March 31, 1990 and March 31, 1991.

46 b. Upon the basis of [such] the tables recommended by the
47 actuary [as] which the board of trustees adopts[,] and regular
48 interest, the actuary of the board shall compute the amount of
49 the unfunded liability [as of March 31, 1987 which has accrued on
50 the basis of service rendered prior to April 1, 1987 by all
51 members, except veteran members who were employed as
52 teachers on January 1, 1955, including the amount of the liability
53 accrued by reason of the establishment of class B credit by
54 nonveteran members which has not already been covered by State

1 contributions to the retirement system, and including the accrued
2 liabilities established by section 13 of chapter 66 of the laws of
3 1966] ¹[, beginning with the valuation]¹ as of March 31, 1990, ¹[or
4 for any subsequent valuation following a significant change in
5 benefits or actuarial assumptions as determined by the board of
6 trustees after consultation with the Director of the Division of
7 Pensions and the actuary,]¹ excluding the liability for pension
8 adjustment benefits and post-retirement medical benefits for
9 active employees funded pursuant to section 2 of P.L.1987, c.385
10 (C.18A:66-18.1), which is not already covered by the assets of the
11 retirement system, valued in accordance with ¹[an] the¹ asset
12 valuation method ¹[adopted by the board of trustees after
13 consultation with the Directors of the Divisions of Investment
14 and Pensions and the actuary which shall reasonably reflect the
15 market value of the assets,] established in this section,¹ and by
16 prospective employer normal contributions and employee
17 contributions. Using the total amount of this unfunded accrued
18 liability, [he shall compute the amount of the annual payments
19 which, if paid in each succeeding fiscal year commencing with
20 July 1, 1987, for a period which the State Treasurer shall
21 determine upon the advice of the director of the Division of
22 Pensions, but not exceeding 40 years, will provide for] the
23 actuary shall determine a rate of contribution that shall be an
24 initial amount of contribution divided by the compensation of all
25 active members for the valuation period where, if the
26 contribution is increased annually for a specific period of time, it
27 will amortize this liability. The ¹[board of trustees] State
28 Treasurer¹ shall determine, upon the advice of the Director of
29 the Division of Pensions ¹, the board of trustees¹ and the
30 actuary, the rate of increase for the contribution and the time
31 period for full funding of this liability, which shall not exceed 40
32 years. This shall be known as the "accrued liability contribution
33 rate." ¹[The accrued liability contribution rate shall remain
34 constant unless it is redetermined following a significant change
35 in benefits or actuarial assumptions.]¹ The actuary shall compute
36 annually an amount of contribution based upon the total
37 compensation of all members in active service and the accrued
38 liability contribution rate. This shall be known as the "accrued
39 liability contribution."

40 The value of the assets for the valuation period ending March
41 31, 1990 shall be the full market value of the assets as of that
42 date. ¹[The value of the assets for the valuation period ending
43 March 31, 1991 shall be the value of the assets for the preceding
44 valuation period plus 20% of the difference between this
45 preceding value, and the preceding value plus interest on the
46 preceding value at the rate of 8.75%, plus the difference between
47 the benefits paid by the system and the contributions to the
48 system during the valuation period plus interest on the difference
49 at the rate of 4 3/8%.] The value of the assets for the valuation
50 period ending March 31, 1991 shall be the value of the assets for
51 the preceding valuation period increased by 8 3/4%, plus the net
52 cash flow for the valuation period (the difference between the
53 benefits paid by the system and the contributions to the system)
54 increased by 4 3/8%, plus 20% of the difference between this

1 expected value and the full market value of the assets as of
2 March 31, 1991. The value of the assets for the valuation periods
3 ending on or after March 31, 1992 shall be the value of the assets
4 for the preceding valuation period increased by the regular
5 interest rate, plus the net cash flow for the valuation period (the
6 difference between the benefits paid by the system and the
7 contributions to the system) increased by one half of the regular
8 interest rate, plus 20% of the difference between this expected
9 value and the full market value of the assets as of the end of the
10 valuation period.¹

11 The tables of actuarial assumptions previously adopted by the
12 board of trustees for the valuation periods ending March 31, 1990
13 and March 31, 1991 shall be applicable to the revaluations of the
14 retirement system under P.L. , c. (C.) (now pending before
15 the Legislature as this bill), except that the assumptions for
16 salary increases, medical premium inflation and increases in
17 pension adjustment benefits shall be those proposed by the
18 actuary to the retirement system in the draft revision of the
19 annual actuarial reports for the valuation periods ending March
20 31, 1990 and March 31, 1991 submitted by the actuary on
21 April 27, 1992.

22 c. [Upon the basis of such tables recommended by the actuary
23 as the board of trustees adopts, and regular interest, the actuary
24 of the board shall compute annually the amount of the total
25 liability for past service and all prospective service for veteran
26 members who were employed as teachers on January 1, 1955,
27 which has not already been covered by State and employer
28 contributions to the retirement system and, except as provided by
29 section 18A:66-70, by past or prospective contributions by such
30 veteran members and which will be sufficient to provide for the
31 pension reserves required at the time of discontinuance of active
32 service, to cover all pensions to which they may be entitled or
33 which are payable on their account, and to provide for the
34 amount of death and accidental disability benefits payable on
35 their account. Using the total amount of this liability remaining
36 as a basis, he shall compute the amount of the flat annual
37 payment, which, if paid in each succeeding fiscal year
38 commencing with July 1, 1957, for a period of 30 years, will
39 provide for this liability.] (Deleted by amendment, P.L. , c.)
40 (now pending before the Legislature as this bill)

41 d. The retirement system shall certify annually the aggregate
42 amount payable to the contingent reserve fund in the ensuing
43 year, which amount shall be equal to the sum of the amounts
44 described in this section, and which shall be paid into the
45 contingent reserve fund in the manner provided by section
46 18A:66-33.

47 e. Except as provided in sections 18A:66-26 and 18A:66-53,
48 the death benefits payable under the provisions of this article
49 upon the death of an active or retired member shall be paid from
50 the contingent reserve fund.

51 f. The disbursements for benefits not covered by reserves in
52 the system on account of veterans shall be met by direct
53 contribution of the State.

54 (cf: P.L.1987, c.385, s.1)

1 ¹[3. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended
2 to read as follows:

3 2. Pension adjustment benefits for members and beneficiaries
4 of the Teachers' Pension and Annuity Fund as provided by the
5 "Pension Adjustment Act," P.L.1969, c.169 (C.43:3B-1 et seq.)
6 and health care benefits for qualified retirees and their
7 dependents as provided by P.L.1987, c.384 (C.52:14-17.32f) shall
8 be paid by the retirement system from the contingent reserve
9 fund [and] or other fund or trust, established under the
10 jurisdiction of the board of trustees, which shall receive
11 contributions only to the extent that contributions cannot
12 otherwise be made to a section 401 (h) account due to the
13 requirements of subsection (h) of section 401 of the federal
14 Internal Revenue Code of 1986, 26 U.S.C.§401. Any premium
15 payments for retired participants shall first be a charge upon
16 such other fund or trust and only secondarily on the assets set
17 aside under subsection (h) of section 401 of the federal Internal
18 Revenue Code of 1986, 26 U.S.C.§401. The pension adjustment
19 benefits and premiums for health care benefits for qualified
20 retirees shall be funded as employer obligations in a similar
21 manner to that provided for the funding of employer obligations
22 for the retirement benefits provided by the retirement system.
23 The funding shall be phased in as provided by the board of
24 trustees after consultation with the Director of the Division of
25 Pensions and the actuary, except that: a. any reduction in
26 contributions from recognition of the full market value of the
27 assets as of March 31, 1990 over the adjusted book value of the
28 assets written up by 60% of the excess of market value over
29 adjusted book value as of March 31, 1990 in a fashion similar to
30 that presented in the draft revision of the annual actuarial
31 reports for the valuation periods ending March 31, 1990 and
32 March 31, 1991 submitted by the actuary on April 27, 1992 shall
33 be used to accelerate the funding of the liabilities for pension
34 adjustment and health care benefits, and b. (1) the level of
35 funding normal contributions to cover the pension adjustment and
36 health care benefits for current active employees upon their
37 retirement shall be at least 48% for valuation year 1992 and 56%
38 for valuation year 1993, and (2) thereafter, the funding of the
39 pension adjustment and health care benefits for active employees
40 shall be phased in in a uniform manner which fully recognizes
41 those liabilities within 11 years commencing with valuation year
42 1994. The board of trustees shall determine the assumed
43 percentage rate of increase applied to the cost of providing paid
44 health benefits for retirees.
45 (cf: P.L.1987, c.385, s.2)]¹

46 ¹[4. N.J.S.18A:66-33 is amended to read as follows:

47 18A:66-33. Regular interest charges payable, the creation and
48 maintenance of reserves in the contingent reserve fund and the
49 maintenance of retirement allowances and other benefits granted
50 by the board of trustees under the provisions of this article are
51 hereby made obligations of each employer, except in the case of
52 employers that are institutions of higher education. Obligations
53 of employers that are institutions of higher education shall be
54 obligations of the State, and the employer shall be deemed to be

1 the State for the purposes of this section. Except as provided in
2 N.J.S.18A:66-27, all income, interest, and dividends derived from
3 deposits and investments authorized by this article shall be used
4 for payment of these obligations.

5 Upon the basis of each actuarial determination and appraisal
6 provided for in this article, the board of trustees shall annually
7 certify, on or before December 1st of each year, to the
8 Commissioner of Education, the State Treasurer, and to each
9 employer, including the State, the contributions due on behalf of
10 its employees for the ensuing fiscal year and payable by the
11 employer to the contingent reserve fund. The amounts payable
12 into the contingent reserve fund for each employer, including the
13 State, shall be paid by the State Treasurer, upon the certification
14 of the commissioner and the warrant of the Director of the
15 Division of Budget and Accounting, to the contingent reserve
16 fund not later than [July 1] June 30 of the ensuing fiscal year.
17 The commissioner shall deduct the amount so certified from any
18 State aid payable to the employer. In the event that no State aid
19 is payable to the employer or in the event that the amount
20 deducted is less than the amount certified as due, the
21 commissioner shall certify the net amount due on behalf of the
22 members to the chief fiscal officer of the employer. Each
23 employer shall pay the net amount due, if any, to the State
24 pursuant to a payment schedule established by the commissioner.
25 The payment schedule shall provide for interest penalties for late
26 payments.

27 Nothing in this section shall cause the State aid of an
28 institution of higher education to be offset, nor shall an
29 institution of higher education incur a debt or be required to
30 make payments pursuant to this section.

31 (cf: P.L.1991, c.246, s.1)]¹

32 ¹[5. N.J.S.18A:66-56 is amended to read as follows:

33 18A:66-56. Subject to the provisions of chapter 70 of the laws
34 of 1955, the general responsibility for the proper operation of the
35 teachers' pension and annuity fund shall be vested in the board of
36 trustees. Subject to the limitations of the law, the board shall
37 annually establish rules and regulations for the administration and
38 transaction of its business and for the control of the funds
39 created by this article. Such rules and regulations shall be
40 consistent with those adopted by the other pension funds within
41 the Division of Pensions in order to permit the most economical
42 and uniform administration of all such retirement systems. The
43 membership of the board shall consist of the following:

44 (a) The State Treasurer or the deputy State Treasurer, when
45 designated for that purpose by the State Treasurer;

46 (b) Two trustees appointed by the Governor, with the advice
47 and consent of the Senate, who shall serve [at the pleasure of the
48 Governor] for a term of office of three years and until their
49 successors are appointed, and who shall be private citizens of the
50 State of New Jersey and who are neither an officer thereof nor
51 active or retired members of the system, except that of the two
52 trustees initially appointed by the Governor pursuant to P.L. ,
53 c. (C.) (now pending before the Legislature as this bill), one
54 shall be appointed for a term of two years and one for a term of
55 three years;

1 (c) Three trustees from among the active or retired members
2 of the retirement system, elected by the membership or by the
3 delegates elected for this purpose by the membership, one of
4 whom shall be elected each year for a 3-year term commencing
5 on January 1, following such election in such manner as the board
6 of trustees may prescribe;

7 (d) One trustee not an active or retired teacher nor an officer
8 of the State, elected by the other trustees, other than the State
9 Treasurer, for a term of 3 years.

10 [The terms of office of the members of the board of trustees
11 on the effective date of this article shall continue for the periods
12 for which they were appointed or elected.] A vacancy occurring
13 in the board of trustees shall be filled in the same manner as
14 provided in this section for regular appointment or election to the
15 position where the vacancy exists.

16 Each member of the board shall, upon appointment or election,
17 take an oath of office that, so far as it devolves upon him, he will
18 diligently and honestly administer the board's affairs, and that he
19 will not knowingly violate or willfully permit to be violated any
20 provision of law applicable to this article. The oath shall be
21 subscribed to by the member making it, certified by the officer
22 before whom it is taken and filed immediately in the office of the
23 Secretary of State.

24 Each trustee shall be entitled to one vote in the board and a
25 majority of all the votes of the entire board shall be necessary
26 for a decision by the board of trustees at a meeting of the board.
27 The board shall keep a record of all its proceedings, which shall
28 be open to public inspection.

29 The members of the board shall serve without compensation
30 but shall be reimbursed for any necessary expenditures. No
31 employee shall suffer loss of salary or wages through serving on
32 the board.

33 The State Treasurer shall designate a medical board after
34 consultation with the Director of the Division of Pensions,
35 subject to veto by the board for valid reason. It shall be
36 composed of three physicians who are not eligible to participate
37 in the retirement system. The medical board shall pass upon all
38 medical examinations required under the provisions of this
39 article, shall investigate all essential statements and certificates
40 by or on behalf of a member in connection with an application for
41 disability retirement, and shall report in writing to the
42 retirement system its conclusions and recommendations upon all
43 matters referred to it.

44 (cf: P.L.1971, c.121, s.30)]¹

45 ¹[6.] 3.1 N.J.S.18A:66-57 is amended to read as follows:

46 18A:66-57. The board shall elect annually from its membership
47 a chairman and may also elect a vice chairman, who shall have all
48 the power and authority of the chairman in the event of the
49 death, absence or disability of the chairman. The actuary of the
50 fund shall be [designated] selected by the [State Treasurer after
51 consultation with the Director of the Division of Pensions,
52 subject to veto by the board for valid reason] ¹[board in a manner
53 similar to the invitation to bids and the evaluation procedure used
54 by the General Services Administration and the Division of

1 Pensions for the contract in effect on the effective date of
2 P.L. , c. (C.) (now pending before the Legislature as this
3 bill)] the Retirement Systems Actuary Selection Committee
4 established by P.L. , c. (currently pending before the
5 Legislature as this bill)¹.

6 The actuary shall be the technical adviser of the board on
7 matters regarding the operation of the funds created by the
8 provisions of this article and shall perform such other duties as
9 are required in connection therewith.

10 The Attorney General shall be the legal adviser of the
11 retirement system, except that if the ¹[board] Attorney General¹
12 determines that a conflict of interest would affect the ability of
13 the Attorney General to represent the board on a matter
14 affecting the retirement system ¹[or if the Attorney General
15 refuses to represent the board]¹ , the board may select and
16 employ legal counsel to advise and represent the board on that
17 matter.

18 The chief or assistant chief of the office of secretarial services
19 of the Division of Pensions of the State Department of the
20 Treasury, shall be the secretary of the board. The chief and
21 assistant chief of the office of secretarial services shall be in the
22 competitive division of the State classified service. The
23 secretary presently in office shall hold the position as chief of
24 the office of secretarial services subject to all of the provisions
25 of Title 11 of the Revised Statutes and shall not be removed from
26 said office except in the manner provided under the provisions of
27 said title relating to permanent employees in the competitive
28 division of the State classified service. The board of trustees
29 shall select its secretary from among the eligible candidates.

30 (cf: P.L.1970, c.57, s.6)

31 ¹[7.] 4.¹ Section 3 of P.L.1973, c.140 (C.43:6A-3) is amended
32 to read as follows:

33 3. As used in this act:

34 a. "Accumulated deductions" means the sum of all amounts,
35 deducted from the compensation of a member or contributed by
36 him or on his behalf, standing to the credit of his individual
37 account in the annuity saving fund.

38 b. "Annuity" means payments for life derived from the
39 accumulated deductions of a member as provided in this
40 amendatory and supplementary act.

41 c. "Annuity reserve" means the present value of all payments
42 to be made on account of any annuity or benefit in lieu of an
43 annuity computed on the basis of such mortality tables
44 recommended by the actuary as the State House Commission
45 adopts with regular interest.

46 d. "Beneficiary" means any person entitled to receive any
47 benefit pursuant to the provisions of this act by reason of the
48 death of a member or retirant.

49 e. "Child" means a deceased member's or retirant's
50 unmarried child who is either (a) under the age of 18; (b) of any
51 age who, at the time of the member's or retirant's death, is
52 disabled because of mental retardation or physical incapacity, is
53 unable to do any substantial, gainful work because of the
54 impairment and his impairment has lasted or can be expected to

1 last for a continuous period of not less than 12 months, as
2 affirmed by the medical board; or (c) under the age of 21 and is
3 attending school full time.

4 f. "Compensation" means the base salary, for services as a
5 member as defined in this act, which is in accordance with
6 established salary policies of the State for all employees in the
7 same position but shall not include individual salary adjustments
8 which are granted primarily in anticipation of the member's
9 retirement or additional remuneration for performing temporary
10 duties beyond the regular work schedule.

11 g. "Final salary" means the annual salary received by the
12 member at the time of his retirement or death.

13 h. "Fiscal year" means any year commencing with July 1 and
14 ending with June 30 next following.

15 i. "Medical board" means the board of physicians provided for
16 in section 29 of this act.

17 j. "Member" means the Chief Justice and associate justices of
18 the Supreme Court, judges of the Superior Court and tax court of
19 the State of New Jersey required to be enrolled in the retirement
20 system established by this act.

21 For purposes of this act, the person holding the office of
22 standing master by appointment pursuant to N.J.S.2A:1-7 shall
23 have the same privileges and obligations under this act as a judge
24 of a Superior Court.

25 k. "Parent" means the parent of a member who was receiving
26 at least one-half of his support from the member in the 12-month
27 period immediately preceding the member's death or the
28 accident which was the direct cause of the member's death. The
29 dependency of such a parent will be considered terminated by
30 marriage of the parent subsequent to the death of the member.

31 l. "Pension" means payment for life derived from
32 contributions by the State.

33 m. "Pension reserve" means the present value of all payments
34 to be made on account of any pension or benefit in lieu of a
35 pension computed on the basis of such mortality tables
36 recommended by the actuary as shall be adopted by the State
37 House Commission with regular interest.

38 n. "Regular interest" means interest as ¹[the assumed rate of
39 return on investments of the assets of the retirement system used
40 to determine the present value of the liabilities of the system,
41 which rate shall bear a reasonable relationship to the percentage
42 rate of earnings on the assets based upon the market value of the
43 assets but shall not exceed the assumed percentage rate of
44 increase applied to salaries plus 3%. The assumed rate of return
45 shall be determined]¹ [annually] ¹[by the]¹ [State Treasurer]
46 ¹[State Investment Council after consultation with the Directors
47 of the Divisions of Investment and Pensions]¹ [and the actuary of
48 the system] ¹interest as determined by the State Treasurer, after
49 consultation with the Directors of the Divisions of Investment
50 and Pensions, the State House Commission and the actuary. It
51 shall bear a reasonable relationship to the percentage rate of
52 earnings on investments based on the market value of assets but
53 shall not exceed the assumed percentage rate of increase applied
54 to salaries plus 3%, provided however that the commission shall

1 not set the average percentage rate of increase applied to
2 salaries below 6%¹. [It shall bear a reasonable relationship to the
3 percentage rate of earnings on investments but shall not exceed
4 105% of such percentage rate.]

5 o. "Retirant" means any former member receiving a pension
6 or retirement allowance as provided by this act.

7 p. "Retirement allowance" means the pension plus the
8 annuity.

9 q. "Retirement system" or "system" herein refers to the
10 "Judicial Retirement System of New Jersey," which is the
11 corporate name of the arrangement for the payment of pensions,
12 retirement allowances and other benefits under the provisions of
13 this act including the several funds placed under said system. By
14 that name, all of its business shall be transacted, its funds
15 invested, warrants for money drawn, and payments made and all
16 of its cash and securities and other property held.

17 r. "Service" means public service rendered for which credit is
18 allowed on the basis of contributions made by the State.

19 s. "Several courts" means the Supreme, Superior, and tax
20 courts.

21 t. "Widow" means the woman to whom a member or a retirant
22 was married at least four years before the date of his death and
23 to whom he continued to be married until the date of his death.
24 The eligibility of such a widow to receive a survivor's benefit
25 will be considered terminated by the marriage of the widow
26 subsequent to the member's or the retirant's death. In the event
27 of accidental death the four-year qualification shall be waived.
28 When used in this act, the term "widow" shall mean and include
29 "widower" as may be necessary and appropriate to the particular
30 situation.

31 u. "Widower" means the man to whom a member or a retirant
32 was married at least four years before the date of her death and
33 to whom she continued to be married until the date of her death.
34 The eligibility of such a widower to receive a survivor's benefit
35 will be considered terminated by the marriage of the widower
36 subsequent to the member's or retirant's death. In the event of
37 accidental death the four-year qualification shall be waived.

38 (cf: P.L.1991, c.91, s.411)

39 ¹[8.] 5.¹ Section 29 of P.L.1973, c.140 (C.43:6A-29) is
40 amended to read as follows:

41 29. a. Subject to the provisions of P.L.1955, c.70
42 (C.52:18A-95 to 52:18A-104), the general responsibility for the
43 proper operation of the retirement system is hereby vested in the
44 State House Commission.

45 b. Except as otherwise herein provided, no member of the
46 State House Commission shall have any direct interest in the
47 gains or profits of any investments of the retirement system, nor
48 shall any member of the State House Commission directly or
49 indirectly, for himself or as an agent in any manner use the
50 moneys of the retirement system, except to make such current
51 and necessary payments as are authorized by the commission; nor
52 shall any member of the State House Commission become an
53 endorser or surety, or in any manner an obligor for moneys loaned
54 to or borrowed from the retirement system.

1 c. For purposes of this act, each member of the State House
2 Commission shall be entitled to one vote and a majority vote of
3 all members shall be necessary for any decision by the
4 commission at any meeting of said commission.

5 d. Subject to the limitations of this act, the State House
6 Commission shall annually establish rules and regulations for the
7 administration of the funds created by this act and for the
8 transaction of its business. Such rules and regulations shall be
9 consistent with those adopted by the other pension funds within
10 the Division of Pensions in order to permit the most economical
11 and uniform administration of all such retirement systems.

12 e. The actuary of the system shall be [designated] selected by
13 the [State Treasurer after consultation with the Director of the
14 Division of Pensions] ¹[State House Commission in a manner
15 similar to the invitation to bids and the evaluation procedure used
16 by the General Services Administration and the Division of
17 Pensions for the contract in effect on the effective date of this
18 amendatory and supplementary act] Retirement Systems Actuary
19 Selection Committee established by P.L. , c. (currently
20 pending before the Legislature as this bill¹. He shall be the
21 technical adviser of the commission on matters regarding the
22 operation of the funds created by the provisions of this act and
23 shall perform such other duties as are required in connection
24 herewith.

25 f. The Attorney General shall be the legal adviser of the
26 retirement system, except that if the ¹[State House Commission]
27 Attorney General¹ determines that a conflict of interest would
28 affect the ability of the Attorney General to represent the
29 commission on a matter affecting the retirement system ¹[or if
30 the Attorney General refuses to represent the commission]¹ , the
31 commission may select and employ legal counsel to advise and
32 represent the commission on that matter.

33 g. The Director of the Division of Pensions of the State
34 Department of the Treasury shall be the secretary of the
35 commission for purposes pertaining to the provisions of this act.

36 h. For purposes of this act, the State House Commission shall
37 keep a record of all of its proceedings which shall be open to
38 public inspection. The retirement system shall publish annually a
39 report showing the fiscal transactions of the retirement system
40 for the preceding year, the amount of the accumulated cash and
41 securities of the system and the last balance sheet showing the
42 financial condition of the system by means of any actuarial
43 valuation of the assets and liabilities of the retirement system.

44 i. The State Treasurer shall designate a medical board after
45 consultation with the Director of the Division of Pensions. It
46 shall be composed of three physicians. The medical board shall
47 pass on all medical examinations required under the provisions of
48 this act, and shall report in writing to the retirement system its
49 conclusions and recommendations upon all matters referred to it.
50 (cf: P.L.1973, c.140, s.29)

51 ¹[9.] 6.¹ Section 33 of P.L.1973, c.140 (C.43:6A-33) is
52 amended to read as follows:

53 33. a. Upon the basis of [such] the tables recommended by the
54 actuary [as] which the commission adopts and regular interest,

1 the actuary shall compute annually the amount of the
2 contribution, expressed as a proportion of the salaries paid to all
3 members, which if paid monthly during the entire prospective
4 service of the members, will be sufficient to provide for the
5 pension reserves required at the time of the discontinuance of
6 active service, to cover all pensions to which they may be
7 entitled or which are payable on their account and to provide for
8 the amount of the death benefits payable on their account, which
9 amount is not covered by other contributions to be made as
10 provided in this section and the funds in hand available for such
11 benefits. This shall be known as the "normal contribution." The
12 actuary shall redetermine the normal contributions for the
13 retirement system as of June 30, 1990 and June 30, 1991.

14 b. Upon the basis of [such] the tables recommended by the
15 actuary [as] which the commission adopts and regular interest,
16 the actuary shall compute the amount of the unfunded liability
17 [as of June 30, 1973 which has accrued on the basis of services
18 rendered prior to July 1, 1973 by all members, including the
19 amount of the liability accrued by reason of pensions to be
20 granted on account of services rendered by members, which has
21 not already been covered by previous State and county
22 contributions to the Public Employees' Retirement System
23 transferred to the retirement system under provisions of
24 subsection d] ¹[, beginning with the valuation]¹ as of June 30,
25 1990, ¹[or for any subsequent valuation following a significant
26 change in benefits or actuarial assumptions as determined by the
27 State House Commission after consultation with the Director of
28 the Division of Pensions and the actuary,]¹ which is not already
29 covered by the assets of the retirement system, valued in
30 accordance with ¹[an] the¹ asset valuation method ¹[adopted by
31 the commission after consultation with the Directors of the
32 Divisions of Investment and Pensions and the actuary which shall
33 reasonably reflect the market value of the assets,] established in
34 this section,¹ and by prospective employer normal contributions
35 and employee contributions. Using the total amount of this
36 unfunded accrued liability [he shall compute the amount of the
37 flat annual payment which, if paid in each succeeding fiscal year
38 commencing with July 1, 1974 for a period of 40 years, will
39 provide for this liability], the actuary shall determine a rate of
40 contribution that shall be an initial amount of contribution
41 divided by the compensation of all active members for the
42 valuation period where, if the contribution is increased annually
43 for a specific period of time, it will amortize this liability. The
44 ¹[commission] State Treasurer¹ shall determine, upon the advice
45 of the Director of the Division of Pensions ¹, the commission¹
46 and the actuary, the rate of increase for the contribution and the
47 time period for full funding of this liability, which shall not
48 exceed 40 years. This shall be known as the "accrued liability
49 contribution rate." ¹[The accrued liability contribution rate shall
50 remain constant unless it is redetermined following a significant
51 change in benefits or actuarial assumptions,]¹ The actuary shall
52 compute annually an amount of contribution based upon the total
53 compensation of all members in active service and the accrued
54 liability contribution rate. This shall be known as the "accrued
55 liability contribution."

1 The value of the assets for the valuation period ending June 30,
2 1990 shall be the full market value of the assets as of that date.
3 ¹[The value of the assets for the valuation period ending June 30,
4 1991 shall be the value of the assets for the preceding valuation
5 period plus 20% of the difference between this preceding value,
6 and the preceding value plus interest on the preceding value at
7 the rate of 8.75%, plus the difference between the benefits paid
8 by the system and the contributions to the system during the
9 valuation period plus interest on the difference at the rate of 4
10 3/8%.] The value of the assets for the valuation period ending
11 June 30, 1991 shall be the value of the assets for the preceding
12 valuation period increased by 8 3/4%, plus the net cash flow for
13 the valuation period (the difference between the benefits paid by
14 the system and the contributions to the system) increased by 4
15 3/8%, plus 20% of the difference between this expected value and
16 the full market value of the assets as of June 30, 1991. The value
17 of the assets for the valuation periods ending on or after June 30,
18 1992 shall be the value of the assets for the preceding valuation
19 period increased by the regular interest rate, plus the net cash
20 flow for the valuation period (the difference between the benefits
21 paid by the system and the contributions to the system) increased
22 by one half of the regular interest rate, plus 20% of the
23 difference between this expected value and the full market value
24 of the assets as of the end of the valuation period.¹

25 The tables of actuarial assumptions previously adopted by the
26 ¹[board of trustees] commission¹ for the valuation periods ending
27 June 30, 1990 and June 30, 1991 shall be applicable to the
28 revaluations of the retirement system under P.L. , c. (C.)
29 (now pending before the Legislature as this bill), except that the
30 assumptions for salary increases, medical premium inflation and
31 increases in pension adjustment benefits shall be those proposed
32 by the actuary to the retirement system in the draft revision of
33 the annual actuarial reports for the valuation periods ending June
34 30, 1990 and June 30, 1991 submitted by the actuary on April 27,
35 1992.

36 c. The actuary shall certify annually the aggregate amount
37 payable to the contingent reserve fund in the ensuing year, which
38 amount shall be equal to the sum of the proportion of the
39 earnable salary of all members, computed as described in
40 subsection a. hereof and of the State's accrued liability
41 contribution, payable in the ensuing year, as described in
42 subsection b. hereof. The State shall pay into the contingent
43 reserve fund during the ensuing year the amount so determined.
44 In the event the amount certified to be paid by the State includes
45 amounts due for services rendered by members to counties, the
46 total amount so certified shall be paid to the retirement system
47 by the State; provided, however, the full cost attributable to such
48 services rendered to such counties shall be computed separately
49 by the actuary and the State shall be reimbursed for such
50 amounts by such counties.

51 The cash death benefits, payable as the result of contribution
52 by the State under the provisions of this act upon the death of a
53 member in active service and after retirement, shall be paid from
54 the contingent reserve fund.

1 d. [Within 90 days following the effective date of this act, the
2 Public Employees' Retirement System of New Jersey shall
3 transfer that portion of the actuarial reserves established in that
4 system on the basis of contributions made by the State and
5 counties on behalf of those judges whose membership in the
6 Public Employees' Retirement System shall be terminated by
7 provisions of this act and whose retirement and death benefit
8 coverage will be provided by the Judicial Retirement System of
9 New Jersey. The transfer of the reserves to the retirement
10 system established by this act shall be accomplished upon
11 certification by the consulting actuary of the Public Employees'
12 Retirement System of New Jersey as to the amounts to be
13 transferred.] (Deleted by amendment, P.L. , c. .) (now
14 pending before the Legislature as this bill)
15 (cf: P.L.1973, c.140, s.33)

16 ¹[10. (New section) Pension adjustment benefits for members
17 and beneficiaries of the Judicial Retirement System provided by
18 the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et
19 seq.) and premiums or periodic charges which the State is
20 required to pay for benefits provided to retired State employees
21 and their dependents under the "New Jersey State Health
22 Benefits Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.),
23 shall be paid by the retirement system from the contingent
24 reserve fund or other fund or trust, established under the
25 jurisdiction of the State House Commission, which shall receive
26 contributions only to the extent that contributions cannot
27 otherwise be made to a section 401 (h) account due to the
28 requirements of subsection (h) of section 401 of the federal
29 Internal Revenue Code of 1986, 26 U.S.C.§401. Any premium
30 payments for retired participants shall first be a charge upon
31 such other fund or trust and only secondarily on the assets set
32 aside under subsection (h) of section 401 of the federal Internal
33 Revenue Code of 1986, 26 U.S.C.§401. The pension adjustment
34 benefits and premiums for health care benefits for qualified
35 retirees shall be funded as employer obligations in a similar
36 manner to that provided for the funding of employer obligations
37 for the retirement benefits provided by the retirement system.
38 The funding shall be phased in as determined by the State House
39 Commission after consultation with the Director of the Division
40 of Pensions and the actuary, except that: a. the phase-in period
41 shall begin with valuation year 1993 and shall not exceed 25
42 years, and b. any reduction in contributions from recognition of
43 the full market value of the assets as of June 30, 1990 over the
44 adjusted book value of the assets written up by 60% of the excess
45 of market value over adjusted book value as of June 30, 1990 in a
46 fashion similar to that presented in the draft revision of the
47 annual actuarial reports for the valuation periods ending June 30,
48 1990 and June 30, 1991 submitted by the actuary on April 27,
49 1992 shall be used to accelerate the funding of the liabilities for
50 pension adjustment and health care benefits. The State House
51 Commission shall determine the assumed percentage rate of
52 increase applied to the cost of providing health benefits for
53 retirees.]¹

54 ¹[11. (New section) Notwithstanding the provisions of the

1 "Pension Adjustment Act, P.L.1958, c.143 (C.43:3B-1 et seq.),
2 pension adjustment benefits provided under that act for members
3 of the Judicial Retirement System shall be paid by the retirement
4 system.]¹

5 ¹[12.] 7.¹ Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended
6 to read as follows:

7 6. As used in this act:

8 a. "Accumulated deductions" means the sum of all the
9 amounts, deducted from the compensation of a member or
10 contributed by or on behalf of the member, standing to the credit
11 of the member's individual account in the annuity savings fund.

12 b. "Annuity" means payments for life derived from the
13 accumulated deductions of a member as provided in this act.

14 c. "Annuity reserve" means the present value of all payments
15 to be made on account of any annuity or benefit in lieu of an
16 annuity, granted under the provisions of this act, computed on the
17 basis of such mortality tables recommended by the actuary as the
18 board of trustees adopts, with regular interest.

19 d. "Beneficiary" means any person receiving a retirement
20 allowance or other benefit as provided in this act.

21 e. "Child" means a deceased member's unmarried child either
22 (1) under the age of 18 or (2) of any age who, at the time of the
23 member's death, is disabled because of mental retardation or
24 physical incapacity, is unable to do any substantial, gainful work
25 because of the impairment and the impairment has lasted or can
26 be expected to last for a continuous period of not less than 12
27 months, as affirmed by the medical board.

28 f. "Parent" shall mean the parent of a member who was
29 receiving at least 1/2 of the parent's support from the member
30 in the 12-month period immediately preceding the member's
31 death or the accident which was the direct cause of the
32 member's death. The dependency of such a parent will be
33 considered terminated by marriage of the parent subsequent to
34 the death of the member.

35 g. "Widower" means the man to whom a member was married
36 at least 5 years before the date of her death and to whom she
37 continued to be married until the date of her death and who was
38 receiving at least 1/2 of his support from the member in the
39 12-month period immediately preceding the member's death or
40 the accident which was the direct cause of the member's death.
41 The dependency of such a widower will be considered terminated
42 by marriage of the widower subsequent to the death of the
43 member. In the event of the payment of an accidental death
44 benefit, the 5-year qualification shall be waived.

45 h. "Final compensation" means the average annual
46 compensation for which contributions are made for the 3 years of
47 creditable service in New Jersey immediately preceding the
48 member's retirement or death, or it shall mean the average
49 annual compensation for New Jersey service for which
50 contributions are made during any 3 fiscal years of his or her
51 membership providing the largest possible benefit to the member
52 or the member's beneficiary.

53 i. "Fiscal year" means any year commencing with July 1 and
54 ending with June 30 next following.

- 1 j. "Medical board" shall mean the board of physicians provided
2 for in section 17 (C.43:15A-17).
- 3 k. "Pension" means payments for life derived from
4 appropriations made by the employer as provided in this act.
- 5 l. "Pension reserve" means the present value of all payments
6 to be made on account of any pension or benefit in lieu of a
7 pension granted under the provisions of this act, computed on the
8 basis of such mortality tables recommended by the actuary as the
9 board of trustees adopts, with regular interest.
- 10 m. "Public Employees' Retirement System of New Jersey,"
11 hereinafter referred to as the "retirement system" or "system,"
12 is the corporate name of the arrangement for the payment of
13 retirement allowances and other benefits under the provisions of
14 this act including the several funds placed under said system. By
15 that name all of its business shall be transacted, its funds
16 invested, warrants for money drawn, and payments made and all
17 of its cash and securities and other property held.
- 18 n. "Regular interest" shall mean [interest as] ¹[the assumed
19 rate of return on investments of the assets of the retirement
20 system used to determine the present value of the liabilities of
21 the system, which rate shall bear a reasonable relationship to the
22 percentage rate of earnings on the assets based upon the market
23 value of the assets but shall not exceed the assumed percentage
24 rate of increase applied to salaries plus 3%. The assumed rate of
25 return shall be determined]¹ [annually] ¹[by the]¹ [State
26 Treasurer] ¹[State Investment Council after consultation with the
27 Directors of the Divisions of Investment and Pensions]¹ [and the
28 actuary of the system] ¹interest as determined by the State
29 Treasurer, after consultation with the Directors of the Divisions
30 of Investment and Pensions, the board of trustees and the
31 actuary. It shall bear a reasonable relationship to the percentage
32 rate of earnings on investments based on the market value of the
33 assets but shall not exceed the assumed percentage rate of
34 increase applied to salaries plus 3%, provided however that the
35 board of trustees shall not set the average percentage rate of
36 increase applied to salaries below 6%¹. [It shall bear a
37 reasonable relationship to the percentage rate of earnings on
38 investments but shall not exceed 105% of such percentage rate.]
- 39 o. "Retirement allowance" means the pension plus the annuity.
- 40 p. "Veteran" means any honorably discharged officer, soldier,
41 sailor, airman, marine or nurse who served in any Army, Air
42 Force or Navy of the Allies of the United States in World War I,
43 between July 14, 1914, and November 11, 1918, or who served in
44 any Army, Air Force or Navy of the Allies of the United States in
45 World War II, between September 1, 1939, and September 2, 1945,
46 and who was inducted into such service through voluntary
47 enlistment, and was a citizen of the United States at the time of
48 such enlistment, and who did not, during or by reason of such
49 service, renounce or lose United States citizenship, and any
50 officer, soldier, sailor, marine, airman, nurse or army field clerk,
51 who has served in the active military or naval service of the
52 United States and has or shall be discharged or released
53 therefrom under conditions other than dishonorable, in any of the
54 following wars, uprisings, insurrections, expeditions, or

1 emergencies, and who has presented to the retirement system
2 evidence of such record of service in form and content
3 satisfactory to said retirement system:

4 (1) The Indian wars and uprisings during any of the periods
5 recognized by the War Department of the United States as
6 periods of active hostility;

7 (2) The Spanish-American War between April 20, 1898, and
8 April 11, 1899;

9 (3) The Philippine insurrections and expeditions during the
10 periods recognized by the War Department of the United States
11 as of active hostility from February 4, 1899, to the end of 1913;

12 (4) The Peking relief expedition between June 20, 1900, and
13 May 27, 1902;

14 (5) The army of Cuban occupation between July 18, 1898, and
15 May 20, 1902;

16 (6) The army of Cuban pacification between October 6, 1906,
17 and April 1, 1909;

18 (7) The Mexican punitive expedition between March 14, 1916,
19 and February 7, 1917;

20 (8) The Mexican border patrol, having actually participated in
21 engagements against Mexicans between April 12, 1911, and June
22 16, 1919;

23 (9) World War I, between April 6, 1917, and November 11, 1918;

24 (10) World War II, between September 16, 1940, and December
25 31, 1946, who shall have served at least 90 days in such active
26 service, exclusive of any period of assignment (1) for a course of
27 education or training under the Army Specialized Training
28 Program or the Navy College Training Program which course was
29 a continuation of a civilian course and was pursued to completion,
30 or (2) as a cadet or midshipman at one of the service academies
31 any part of which 90 days was served between said dates;
32 provided, that any person receiving an actual service-incurred
33 injury or disability shall be classed as a veteran whether or not
34 that person has completed the 90-day service as herein provided;

35 (11) Korean conflict on or after June 23, 1950, and on or prior
36 to January 31, 1955, who shall have served at least 90 days in
37 such active service, exclusive of any period of assignment (1) for
38 a course of education or training under the Army Specialized
39 Training Program or the Navy College Training Program which
40 course was a continuation of a civilian course and was pursued to
41 completion, or (2) as a cadet or midshipman at one of the service
42 academies, any part of which 90 days was served between said
43 dates; provided, that any person receiving an actual
44 service-incurred injury or disability shall be classed as a veteran
45 whether or not that person has completed the 90-day service as
46 herein provided; and provided further, that any member classed
47 as a veteran pursuant to this subparagraph prior to August 1,
48 1966, shall continue to be classed as a veteran whether or not
49 that person completed the 90-day service between said dates as
50 herein provided;

51 (12) Vietnam conflict on or after December 31, 1960, and on
52 or prior to May 7, 1975, who shall have served at least 90 days in
53 such active service, exclusive of any period of assignment (1) for
54 a course of education or training under the Army Specialized

1 Training Program or the Navy College Training Program which
2 course was a continuation of a civilian course and was pursued to
3 completion, or (2) as a cadet or midshipman at one of the service
4 academies, any part of which 90 days was served between said
5 dates; and exclusive of any service performed pursuant to the
6 provisions of section 511(d) of Title 10, United States Code,
7 pursuant to an enlistment in the Army National Guard or as a
8 reserve for service in the Army Reserve, Naval Reserve, Air
9 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
10 provided, that any person receiving an actual service-incurred
11 injury or disability shall be classed as a veteran whether or not
12 that person has completed the 90 days service as herein provided;

13 (13) Lebanon peacekeeping mission, on or after September 26,
14 1982, who has served in Lebanon or on board any ship actively
15 engaged in patrolling the territorial waters of that nation for a
16 period, continuous or in the aggregate, of at least 14 days
17 commencing on or before the date of termination of that mission,
18 as proclaimed by the President of the United States, Congress or
19 the Governor, whichever date of termination is the latest, in such
20 active service; provided, that any person receiving an actual
21 service-incurred injury or disability shall be classed as a veteran
22 whether or not that person has completed the 14 days service as
23 herein provided;

24 (14) Grenada peacekeeping mission, on or after October 25,
25 1983, who has served in Grenada or on board any ship actively
26 engaged in patrolling the territorial waters of that nation for a
27 period, continuous or in the aggregate, of at least 14 days
28 commencing on or before the date of termination of that mission,
29 as proclaimed by the President of the United States, Congress or
30 the Governor, whichever date of termination is the latest, in such
31 active service; provided, that any person receiving an actual
32 service-incurred injury or disability shall be classed as a veteran
33 whether or not that person has completed the 14 days service as
34 herein provided;

35 (15) Panama peacekeeping mission, on or after the date of
36 inception of that mission, as proclaimed by the President of the
37 United States, Congress or the Governor, whichever date of
38 inception is earliest, who has served in Panama or on board any
39 ship actively engaged in patrolling the territorial waters of that
40 nation for a period, continuous or in the aggregate, of at least 14
41 days commencing on or before the date of termination of that
42 mission, as proclaimed by the President of the United States,
43 Congress or the Governor, whichever date of termination is the
44 latest, in such active service; provided, that any person receiving
45 an actual service-incurred injury or disability shall be classed as
46 a veteran whether or not that person has completed the 14 days
47 service as herein provided;

48 (16) Operation "Desert Shield/Desert Storm" mission in the
49 Arabian peninsula and the Persian Gulf, on or after the date of
50 inception of that operation, as proclaimed by the President of the
51 United States, Congress or the Governor, whichever date of
52 inception is earliest, who has served in the Arabian peninsula or
53 on board any ship actively engaged in patrolling the Persian Gulf
54 for a period, continuous or in the aggregate, of at least 14 days

1 commencing on or before the date of termination of that mission,
2 as proclaimed by the President of the United States, Congress or
3 the Governor, whichever date of termination is the latest, in such
4 active service; provided, that any person receiving an actual
5 service-incurred injury or disability shall be classed as a veteran
6 whether or not that person has completed the 14 days service as
7 herein provided.

8 q. "Widow" means the woman to whom a member was married
9 at least 5 years before the date of his death and to whom he
10 continued to be married until the date of his death and who was
11 receiving at least 1/2 of her support from the member in the
12 12-month period immediately preceding the member's death or
13 the accident which was the direct cause of the member's death.
14 The dependency of such a widow will be considered terminated by
15 the marriage of the widow subsequent to the member's death. In
16 the event of the payment of an accidental death benefit, the
17 5-year qualification shall be waived.

18 r. "Compensation" means the base or contractual salary, for
19 services as an employee, which is in accordance with established
20 salary policies of the member's employer for all employees in the
21 same position but shall not include individual salary adjustments
22 which are granted primarily in anticipation of the member's
23 retirement or additional remuneration for performing temporary
24 or extracurricular duties beyond the regular work day or the
25 regular work year. In cases where salary includes maintenance,
26 the retirement system shall fix the value of that part of the
27 salary not paid in money which shall be considered under this act.
28 (cf: P.L.1991, c.390, s.4)

29 ¹[13. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to
30 read as follows:

31 17. Subject to the provisions of P.L.1955, c.70 the general
32 responsibility for the proper operation of the Public Employees'
33 Retirement System shall be vested in the board of trustees.
34 Subject to the limitations of the law, the board shall annually
35 establish rules and regulations for the administration and
36 transaction of its business and for the control of the funds
37 created by this subtitle. Such rules and regulations shall be
38 consistent with those adopted by the other pension funds within
39 the Division of Pensions in order to permit the most economical
40 and uniform administration of all such retirement systems.

41 The membership of the board shall consist of the following:

42 a. Two trustees appointed by the Governor, with the advice
43 and consent of the Senate, who shall serve [at the pleasure of the
44 Governor] for a term of office of three years and until their
45 successors are appointed, who shall be private citizens of the
46 State of New Jersey and who are neither an officer thereof nor
47 active or retired members of the system. Of the two trustees
48 initially appointed by the Governor pursuant to P.L. , c.
49 (C.) (now pending before the Legislature as this bill), one shall
50 be appointed for a term of two years and one for a term of three
51 years.

52 b. The State Treasurer or the Deputy State Treasurer, when
53 designated for that purpose by the State Treasurer.

54 c. Three trustees elected for a term of 3 years [from among

1 and] by the member employees of the State from among the
2 active or retired State members of the retirement system in a
3 manner prescribed by the board of trustees.

4 d. One trustee elected for a term of 3 years [from among and]
5 by the member employees of counties from among the active or
6 retired county members of the retirement system and the same
7 method of holding an election from time to time used for the
8 State employees' representatives shall be followed in elections
9 held for county representatives.

10 e. Two trustees elected for a term of 3 years [from among
11 and] by the member employees of municipalities from among the
12 active or retired municipal members of the retirement system
13 and the same method of holding an election from time to time
14 used for the State employees' representatives shall be followed
15 in elections held for municipal representatives.

16 A vacancy occurring in the board of trustees shall be filled by
17 the appointment or election of a successor in the same manner as
18 his predecessor.

19 Each member of the board shall, upon appointment or election,
20 take an oath of office that, so far as it devolves upon him, he will
21 diligently and honestly administer the board's affairs, and that he
22 will not knowingly violate or willfully permit to be violated any
23 provision of law applicable to this act. The oath shall be
24 subscribed to by the member making it, certified by the officer
25 before whom it is taken and filed immediately in the office of the
26 Secretary of State.

27 Each trustee shall be entitled to one vote in the board and a
28 majority of all the votes of the entire board shall be necessary
29 for a decision by the board of trustees at a meeting of the board.
30 The board shall keep a record of all its proceedings, which shall
31 be open to public inspection.

32 The members of the board shall serve without compensation
33 but shall be reimbursed for any necessary expenditures. No
34 employee shall suffer loss of salary or wages through the serving
35 on the board.

36 [The terms of office of the members of the board of trustees
37 on the effective date of this amendatory and supplementary act
38 shall continue for the periods for which they were appointed or
39 elected.]

40 The State Treasurer shall designate a medical board after
41 consultation with the Director of the Division of Pensions,
42 subject to veto by the board of trustees for valid reason. It shall
43 be composed of three physicians who are not eligible to
44 participate in the retirement system. The medical board shall
45 pass upon all medical examinations required under the provisions
46 of this act, shall investigate all essential statements and
47 certificates by or on behalf of a member in connection with an
48 application for disability retirement, and shall report in writing
49 to the retirement system its conclusions and recommendations
50 upon all matters referred to it.

51 (cf: P.L.1973, c.26, s.1)]¹

52 ¹[14.] 8.¹ Section 18 of P.L.1954, c.84 (43:15A-18) is amended
53 to read as follows:

54 18. The board shall elect annually from its membership a

1 chairman and may also elect a vice-chairman, who shall have all
2 the power and authority of the chairman in the event of the
3 death, absence or disability of the chairman.

4 The actuary of the fund shall be [designated] selected by the
5 [State Treasurer after consultation with the Director of the
6 Division of Pensions, subject to veto by the board for valid
7 reason] ¹[board in a manner similar to the invitation to bids and
8 the evaluation procedure used by the General Services
9 Administration and the Division of Pensions for the contract in
10 effect on the effective date of P.L. , c. (C.) (now pending
11 before the Legislature as this bill)] Retirement Systems Actuary
12 Selection Committee established by P.L. , c. (currently
13 pending before the Legislature as this bill)]¹.

14 The actuary shall be the technical adviser of the board on
15 matters regarding the operation of the funds created by the
16 provisions of this act and shall perform such other duties as are
17 required in connection therewith.

18 The Attorney General shall be the legal adviser of the
19 retirement system, except that if the ¹[board] Attorney General¹
20 determines that a conflict of interest would affect the ability of
21 the Attorney General to represent the board on a matter
22 affecting the retirement system ¹[or if the Attorney General
23 refuses to represent the board]¹, the board may select and
24 employ legal counsel to advise and represent the board on that
25 matter.

26 The chief or assistant chief of the office of secretarial services
27 of the Division of Pensions of the State Department of the
28 Treasury, shall be the secretary of the board. The chief and
29 assistant chief of the office of secretarial services shall be in the
30 competitive division of the State classified service. The
31 secretary presently in office shall hold the position as assistant
32 chief of the office of secretarial services subject to all of the
33 provisions of Title 11 of the Revised Statutes and shall not be
34 removed from said office except in the manner provided under
35 the provisions of said Title relating to permanent employees in
36 the competitive division of the State classified service. The
37 board of trustees shall select its secretary from among the
38 eligible candidates.

39 (cf: P.L.1970, c.57, s.2)

40 ¹[15.] 9.¹ Section 24 of P.L.1954, c.84 (C.43:15A-24) is
41 amended to read as follows:

42 24. The contingent reserve fund shall be the fund in which
43 shall be credited contributions made by the State and other
44 employers.

45 a. Upon the basis of [such] the tables recommended by the
46 actuary [as] which the board adopts[,] and regular interest, the
47 actuary shall compute annually the amount of contribution,
48 expressed as a proportion of the compensation paid to all
49 members, which, if paid monthly during the entire prospective
50 service of the members, will be sufficient to provide for the
51 pension reserves required at the time of discontinuance of active
52 service, to cover all pensions to which they may be entitled or
53 which are payable on their account and to provide for the amount
54 of the death and accidental disability benefits payable on their

1 account, and which amount is not covered by other contributions,
2 to be made as provided in this section and the funds in hand
3 available for such benefits. This shall be known as the "normal
4 contribution." The actuary shall redetermine the normal
5 contributions for the retirement system as of March 31, 1990 and
6 March 31, 1991.

7 b. Upon the basis of [such] the tables recommended by the
8 actuary [as] which the board adopts[,] and regular interest, the
9 actuary shall compute the amount of the unfunded liability [as of
10 March 31, 1988 which has accrued on the basis of service
11 rendered prior to April 1, 1988 by all members, including the
12 amount of the liability accrued by reason of allowance to be
13 granted on account of services rendered by State employee
14 veteran members as provided in section 60 of this act prior to the
15 establishment of the retirement system, which has not already
16 been covered by State contributions to the former "State
17 Employees' Retirement System," and including the accrued
18 liabilities established by section 12 of chapter 67 of the laws of
19 1966 (C.43:15A-37.1)]¹, beginning with the valuation]¹ as of
20 March 31, 1990, ¹[or for any subsequent valuation following a
21 significant change in benefits or actuarial assumptions as
22 determined by the board of trustees after consultation with the
23 Director of the Division of Pensions and the actuary,]¹ excluding
24 the liability for pension adjustment benefits and post-retirement
25 medical benefits for active employees funded pursuant to section
26 6 of P.L.1990, c.6 (C.43:15A-24.1), which is not already covered
27 by the assets of the retirement system, valued in accordance with
28 ¹[an] the¹ asset valuation method ¹[adopted by the board of
29 trustees after consultation with the Directors of the Divisions of
30 Investment and Pensions and the actuary which shall reasonably
31 reflect the market value of the assets,] established in this
32 section,¹ and by prospective employer normal contributions and
33 employee contributions. Using the total amount of this unfunded
34 accrued liability, [he shall compute the amount of the annual
35 payment, which, if paid in each succeeding fiscal year
36 commencing with July 1, 1989, for a period which the State
37 Treasurer shall determine upon the advice of the Director of the
38 Division of Pensions, but not exceeding 40 years, will provide for
39 this liability. The annual payment so computed and certified
40 shall be valued annually and any additional liability which has
41 accrued by reason of allowances to be granted on account of
42 services rendered by State employee veteran members as
43 provided in section 60 shall be added to the amount previously
44 certified so that the entire liability shall be paid within the
45 period determined by the State Treasurer, but not exceeding 40
46 years] the actuary shall determine a rate of contribution that
47 shall be an initial amount of contribution divided by the
48 compensation of all active members for the valuation period
49 where, if the contribution is increased annually for a specific
50 period of time, it will amortize this liability. The ¹[board of
51 trustees] State Treasurer¹ shall determine, upon the advice of the
52 Director of the Division of Pensions ¹, the board of trustees¹ and
53 the actuary, the rate of increase for the contribution and the
54 time period for full funding of this liability, which shall not

1 exceed 40 years. This shall be known as the "accrued liability
2 contribution rate." ¹[The accrued liability contribution rate shall
3 remain constant unless it is redetermined following a significant
4 change in benefits or actuarial assumptions.]¹ The actuary shall
5 compute annually an amount of contribution based upon the total
6 compensation of all members in active service and the accrued
7 liability contribution rate. This shall be known as the "accrued
8 liability contribution."

9 The value of the assets for the valuation period ending March
10 31, 1990 shall be the full market value of the assets as of that
11 date. ¹[The value of the assets for the valuation period ending
12 March 31, 1991 shall be the value of the assets for the preceding
13 valuation period plus 20% of the difference between this
14 preceding value, and the preceding value plus interest on the
15 preceding value at the rate of 8.75%, plus the difference between
16 the benefits paid by the system and the contributions to the
17 system during the valuation period plus interest on the difference
18 at the rate of 4 3/8%.] The value of the assets for the valuation
19 period ending March 31, 1991 shall be the value of the assets for
20 the preceding valuation period increased by 8 3/4%, plus the net
21 cash flow for the valuation period (the difference between the
22 benefits paid by the system and the contributions to the system)
23 increased by 4 3/8%, plus 20% of the difference between this
24 expected value and the full market value of the assets as of
25 March 31, 1991. The value of the assets for the valuation periods
26 ending on or after March 31, 1992 shall be the value of the assets
27 for the preceding valuation period increased by the regular
28 interest rate, plus the net cash flow for the valuation period (the
29 difference between the benefits paid by the system and the
30 contributions to the system) increased by one half of the regular
31 interest rate, plus 20% of the difference between this expected
32 value and the full market value of the assets as of the end of the
33 valuation period.¹

34 The tables of actuarial assumptions previously adopted by the
35 board of trustees for the valuation periods ending March 31, 1990
36 and March 31, 1991 shall be applicable to the revaluations of the
37 retirement system under P.L. , c. (C.) (now pending before
38 the Legislature as this bill), except that the assumptions for
39 salary increases, medical premium inflation and increases in
40 pension adjustment benefits shall be those proposed by the
41 actuary to the retirement system in the draft revision of the
42 annual actuarial reports for the valuation periods ending March
43 31, 1990 and March 31, 1991 submitted by the actuary on April
44 27, 1992.

45 c. The retirement system shall certify annually the aggregate
46 amount payable to the contingent reserve fund in the ensuing
47 year, which amount shall be equal to the sum of the amounts
48 described in this section. The State shall pay into the contingent
49 reserve fund during the ensuing year the amount so determined.
50 The death benefits, payable as a result of contribution by the
51 State under the provisions of this chapter upon the death of an
52 active or retired member, shall be paid from the contingent
53 reserve fund.

54 d. The disbursements for benefits not covered by reserves in

1 the system on account of veterans shall be met by direct
2 contributions of the State and other employers.

3 (cf: P.L.1990, c.6, s.1)

4 ¹[16. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to
5 read as follows:

6 2. Pension adjustment benefits for members and beneficiaries
7 of the Public Employees' Retirement System provided by the
8 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.)
9 and premiums or periodic charges which the State is required to
10 pay for benefits provided to retired State employees and their
11 dependents under the "New Jersey State Health Benefits Program
12 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be paid by the
13 retirement system [and] from the contingent reserve fund or
14 other fund or trust, established under the jurisdiction of the board
15 of trustees, which shall receive contributions only to the extent
16 that contributions cannot otherwise be made to a section 401 (h)
17 account due to the requirements of subsection (h) of section 401
18 of the federal Internal Revenue Code of 1986, 26 U.S.C.§401.
19 Any premium payments for retired participants shall first be a
20 charge upon such other fund or trust and only secondarily on the
21 assets set aside under subsection (h) of section 401 of the federal
22 Internal Revenue Code of 1986, 26 U.S.C.§401. The pension
23 adjustment benefits and premiums for health care benefits for
24 qualified retirees shall be funded as employer obligations in a
25 similar manner to that provided for the funding of employer
26 obligations for the retirement benefits provided by the
27 retirement system[.]. The funding shall be phased in as
28 determined by the [State Treasurer upon the advice of] board of
29 trustees after consultation with the Director of the Division of
30 Pensions and the actuary, except that: a. any reduction in
31 contributions from recognition of the full market value of the
32 assets as of March 31, 1990 over the adjusted book value of the
33 assets written up by 60% of the excess of market value over
34 adjusted book value as of March 31, 1990 in a fashion similar to
35 that presented in the draft revision of the annual actuarial
36 reports for the valuation periods ending March 31, 1990 and
37 March 31, 1991 submitted by the actuary on April 27, 1992 shall
38 be used to accelerate the funding of the liabilities for pension
39 adjustment and health care benefits as follows: 70% of the
40 State's portion of that amount shall be used to fund pension
41 adjustment benefits and 30% to fund health care benefits and
42 100% of the other employers' portion of that amount shall be
43 used to fund pension adjustment benefits, and b. (1) the level of
44 funding normal contributions to cover the pension adjustment and
45 health care benefits for current active employees upon their
46 retirement shall be at least 48% for valuation year 1992 and 56%
47 for valuation year 1993, and (2) thereafter, the funding of the
48 pension adjustment and health care benefits for active employees
49 shall be phased in in a uniform manner which fully recognizes
50 those liabilities within 11 years commencing with valuation year
51 1994. The board of trustees shall determine the assumed
52 percentage rate of increase applied to the cost of providing paid
53 health benefits for retirees. The liability for pension adjustment
54 benefits and for premiums or periodic charges for health care

1 benefits for retired State employees and their dependents shall be
2 included as a liability of the retirement system as of April 1,
3 1988.

4 (cf: P.L.1990, c.6, s.2)]¹

5 ¹[17. Section 68 of P.L.1954, c.84 (C.43:15A-68) is amended to
6 read as follows:

7 68. The Public Employees' Retirement System shall certify to
8 the chief fiscal officer of the employer the rates of contributions
9 payable by members. The system shall further certify, no later
10 than December 31 each year, the contributions, including the
11 accrued liability contribution similar to the State accrued
12 liability contribution, payable by the employer to the contingent
13 reserve fund on behalf of these members, and a pro rata share of
14 the cost of the administration of the retirement system, based
15 upon the payroll of the members who are employees of the
16 employer. The initial actuarial expense incident to the
17 determination of the accrued liability contribution payable by the
18 employer, shall be paid by the employer. The amount certified by
19 the system as payable by such employer to the contingent reserve
20 fund shall be included in the next budget subsequent to the
21 certification by the system. The treasurer or corresponding
22 officer shall pay [on July 1 in each year] to the State Treasurer
23 no later than April 1 of the State's fiscal year in which payment
24 is due the amount of the employer's charges so certified. If
25 payment of the full amount of such obligation is not made within
26 30 days after [July] April 1, interest at the rate of [6%] 10% per
27 annum shall commence to run against the unpaid balance thereof
28 on the first day after such thirtieth day. The treasurer or
29 corresponding officer shall also pay to the State Treasurer the
30 amount of the deductions from the compensation of the members
31 who are employees of the employer. The State Treasurer shall
32 credit these amounts to the appropriate fund or account.

33 (cf: P.L.1971, c.213, s.31)]¹

34 ¹[18. Section 81 of P.L.1954, c.84 (C.43:15A-81) is amended to
35 read as follows:

36 81. The Public Employees' Retirement System shall certify to
37 each employer the rates of contributions payable by members
38 who are county, municipal or school district employees. The
39 system shall further certify, no later than December 31 each
40 year, the contributions, including the accrued liability
41 contribution similar to the State accrued liability contribution,
42 payable by the county, municipality or school district to the
43 contingent reserve fund on behalf of these members, and a pro
44 rata share of the cost of the administration of the retirement
45 system, based upon the payroll of the members who are
46 employees of the county, municipality or school district. The
47 initial actuarial expense incident to the determination of the
48 accrued liability contribution, payable by the county,
49 municipality or school district, shall be paid by the county,
50 municipality or school district. The amount certified by the
51 system as payable by the county, municipality or school district
52 to the contingent reserve fund shall be included in the next
53 budget subsequent to the certification by the system and levied
54 and collected as any other taxes are levied and collected. The

1 treasurer or corresponding officer of any county, municipality or
2 school district shall pay [on or before July 1 in each year] to the
3 State Treasurer no later than April 1 of the State's fiscal year in
4 which payment is due the amount of the county, municipal or
5 school district charges so certified. If payment of the full
6 amount of such obligation is not made within 30 days after [July]
7 April 1, interest at the rate of [6%] 10% per annum shall
8 commence to run against the unpaid balance thereof on the first
9 day after such thirtieth day. The treasurer or corresponding
10 officer shall also pay to the State Treasurer the amount of
11 deductions from the compensation of the members who are
12 employees of the county, municipality or school district. The
13 State Treasurer shall credit these amounts to the appropriate
14 fund or account.

15 (cf: P.L.1971, c.213, s.34)]¹

16 ¹[19.] 10.¹ R.S.43:16-5 is amended to read as follows:

17 43:16-5. For the purpose of paying the pensions provided by
18 this chapter, all pension funds heretofore created and in
19 existence pursuant to the provisions of an act entitled "An act
20 providing for the retirement of policemen and firemen of the
21 police and fire departments in municipalities of this State,
22 including all police officers having supervision of regulation of
23 traffic upon county roads, and providing a pension for such
24 retired policemen and firemen and members of the police and fire
25 departments, and the widows, children and sole dependent parents
26 of deceased members of said departments," approved April 15,
27 1920 (P.L.1920, c.160), and chapter 16 of Title 43 of the Revised
28 Statutes, shall, from and after July 1, 1953, be consolidated, and,
29 as so consolidated, shall be transferred to and placed under the
30 Consolidated Police and Firemen's Pension Fund created by the
31 provisions of this chapter. All rights and privileges created and
32 extended to members of a municipal police department or of a
33 paid or part-paid fire department or of a county police
34 department, including members of the paid or part-paid fire
35 department of any fire district located in any township which has
36 adopted said act or said chapter of the Revised Statutes are
37 hereby expressly preserved, continued and transferred from said
38 pension funds to said consolidated fund. Nothing herein contained
39 shall be deemed to affect or impair the right of any beneficiary
40 of any of the funds so created, but all rights of such beneficiaries
41 which have accrued or may accrue in or against any such pension
42 fund shall be deemed to have accrued or to accrue against the
43 funds so consolidated. Said consolidated fund shall be maintained
44 as follows:

45 (a) There shall be deducted from every payment of salary to
46 each member, as defined in the supplement to this chapter
47 enacted by laws of 1944, c.253, s.12, as amended and
48 supplemented, and paid into said consolidated fund 7% of the
49 amount thereof.

50 (b) All employers, as defined in the supplement to this chapter
51 enacted by laws of 1944, c.253, s.21, as amended and
52 supplemented, shall contribute to the said consolidated fund in
53 the following manner and amounts:

54 (1) An amount equal to 6% of the total of salaries annually

1 paid to the members of the consolidated fund under said
2 employer's jurisdiction, which shall be known as the employer's
3 normal contribution, and which shall be paid into said fund [on
4 July 1 of each year, commencing July 1, 1953] no later than April
5 1 of the State's fiscal year in which payment is due.

6 (2) An additional amount annually for a period of 30 years,
7 commencing July 1, 1953, equal to 66 2/3 %% of the share of the
8 particular employer of the annual amortization payment
9 determined by the actuary to be required to bring the fund to a
10 state of actuarial solvency at the end of the said 30-year period.
11 In determining an employer's share of said annual amortization
12 payment, the actuary shall determine separately, and give due
13 credit to the value of the assets transferred by such employer to
14 said consolidated fund. The amount of each of such annual
15 payments shall be certified by the fund to the treasurer of each
16 employer prior to the first day of the year in which such payment
17 is required to be made, and said amount shall be appropriated in
18 said employer's budget for that year. Said annual payment,
19 which shall be known as the employer's accrued liability
20 contribution, shall be made in two equal portions; the first on the
21 first day of each year, and the second on July 1 of each year.

22 (3) An additional amount to be paid each year following the
23 termination of the 30-year period provided for in subsection (b)(2)
24 of this section, sufficient to meet the requirements of the fund.

25 (4) A fee, payable [on July 1 of each year] no later than April 1
26 of the State's fiscal year in which payment of the employer's
27 normal contribution is due and consisting of such proportion of
28 the administrative expense of the consolidated fund as the
29 number of active and retired members under the jurisdiction of
30 such employer, or their beneficiaries, then bears to the total
31 number of active and retired members under the jurisdiction of
32 such employer, or their beneficiaries, then bears to the total
33 number of active and retired members and beneficiaries in the
34 consolidated fund.

35 (c) The State of New Jersey shall contribute annually,
36 throughout a period of 20 years, commencing July 1, 1972, such
37 amount as may be necessary to make up the balance of the
38 accrued liability of the consolidated fund. The amount of such
39 annual contributions by the State shall be certified to the State
40 Treasurer by the actuary at the time required for other State
41 departmental budgetary certifications. All funds necessary to
42 meet the State's share of said annual payments shall be included
43 in the annual State budget and appropriated by the Legislature.

44 (d) If payment of the full amount of the employer's obligation
45 is not made within 30 days of the due date established by the act,
46 interest at the rate of [6%] 10% per annum shall commence to
47 run against unpaid balance thereof on the first day after such
48 thirtieth day.

49 If payment in full, representing the monthly transmittal and
50 report of salary deductions, is not made within 15 days of the due
51 date established by the pension fund, interest at the rate of [6%]
52 10% per annum shall commence to run against the total
53 transmittal of salary deductions for the period on the first day
54 after such fifteenth day.

1 (e) The accrued liability contribution of any employer shall be
2 payable by the employer for the entire period of the financing of
3 such liability and shall continue to be due and owing to the fund
4 even when there are no longer any beneficiaries entitled to
5 benefits.

6 (f) [Notwithstanding any provision of chapter 16 of Title 43 of
7 the Revised Statutes to the contrary, the Legislature shall
8 annually appropriate and the State Treasurer shall pay into the
9 consolidated fund an amount calculated by the actuary to provide
10 for the additional liability required to fund the benefits provided
11 by P.L.1981, c.241. Any saving realized by the pension fund as a
12 result of any future increase in "regular interest" as determined
13 annually by the State Treasurer shall be applied by the actuary
14 towards meeting the cost of this additional liability.] (Deleted by
15 amendment, P.L. , c. .) (now pending before the Legislature
16 as this bill)

17 (g) [If in any year the State's or any county's or
18 municipality's liability to fund the benefits provided in this 1984
19 amendatory act exceeds the value of the employee contribution
20 increase established pursuant to P.L.1981, c.241 and the
21 application of interest earnings, the actuary of the retirement
22 system shall specify, the State Treasurer shall certify, and the
23 commission shall set the increase in employee contributions to be
24 effective in the following fiscal year in order to provide for this
25 liability.] (Deleted by amendment, P.L. , c. .) (now pending
26 before the Legislature as this bill)

27 (h) Upon the basis of tables recommended by the actuary
28 which the commission adopts after consultation with the Director
29 of the Division of Pensions, the actuary shall compute the amount
30 of unfunded liability of the fund as of June 30, 1990 which is not
31 already covered by the assets of the fund, valued in accordance
32 with ¹[an] the¹ asset valuation method ¹[adopted by the
33 commission after consultation with the Directors of the Divisions
34 of Investment and Pensions and the actuary,] established in this
35 section,¹ and prospective employer normal contributions and
36 employee contributions. Using the total amount of this unfunded
37 liability, the actuary shall compute the amount of the flat annual
38 payment which, if paid in each succeeding fiscal year,
39 commencing with July 1, 1991, for a period of nine years, will
40 provide for this liability. This payment shall be increased or
41 decreased in succeeding fiscal years to amortize any actuarial
42 loss or gain over the remaining time in this nine-year period.
43 Any unfunded liability remaining after this nine-year period shall
44 be funded by direct State appropriations. The actuary shall
45 annually certify over the nine-year period the amount payable to
46 the fund in the ending year, and the State shall pay into the fund
47 during the ensuing year the amount so certified.

48 The value of the assets for the valuation period ending June 30,
49 1990 shall be the full market value of the assets as of that date.
50 ¹[The value of the assets for the valuation period ending June 30,
51 1991 shall be the value of the assets for the preceding valuation
52 period plus 20% of the difference between this preceding value,
53 and the preceding value plus interest on the preceding value at
54 the rate of 8.75%, plus the difference between the benefits paid

1 by the system and the contributions to the system during the
2 valuation period plus interest on the difference at the rate of 4
3 3/8%.] The value of the assets for the valuation period ending
4 June 30, 1991 shall be the value of the assets for the preceding
5 valuation period increased by 8 3/4%, plus the net cash flow for
6 the valuation period (the difference between the benefits paid by
7 the system and the contributions to the system) increased by 4
8 3/8%, plus 20% of the difference between this expected value and
9 the full market value of the assets as of June 30, 1991. The value
10 of the assets for the valuation periods ending on or after June 30,
11 1992 shall be the value of the assets for the preceding valuation
12 period increased by the regular interest rate, plus the net cash
13 flow for the valuation period (the difference between the benefits
14 paid by the system and the contributions to the system) increased
15 by one half of the regular interest rate, plus 20% of the
16 difference between this expected value and the full market value
17 of the assets as of the end of the valuation period.¹

18 The tables of actuarial assumptions previously adopted by the
19 ¹[board of trustees] commission¹ for the valuation periods ending
20 June 30, 1990 and June 30, 1991 shall be applicable to the
21 revaluations of the retirement system under P.L. , c. (C.)
22 (now pending before the Legislature as this bill) ¹[, except that
23 the assumptions for salary increases, medical premium inflation
24 and increases in pension adjustment benefits shall be those
25 proposed by the actuary to the retirement system in the draft
26 revision of the annual actuarial reports for the valuation periods
27 ending June 30, 1990 and June 30, 1991 submitted by the actuary
28 on April 27, 1992]¹ .

29 (cf: P.L.1984, c.127, s.2)

30 ¹[20. Section 5 of P.L.1952, c.358 (C.43:16-6.1) is amended to
31 read as follows:

32 5. There is hereby established in the Division of Pensions in
33 the Department of the Treasury a commission which shall be
34 known as the Consolidated Police and Firemen's Pension Fund
35 Commission, and shall consist of nine members; two of whom
36 shall be elected by the policemen, and two of whom shall be
37 elected by the firemen, who are active or retired members of the
38 consolidated fund, four of which members shall be appointed by
39 the Governor, with the advice and consent of the Senate who
40 shall serve [at the pleasure of the Governor] for a term of office
41 of four years and until their successors are appointed and who
42 shall be private citizens of the State of New Jersey who are
43 neither an officer thereof nor active or retired public employees,
44 and the remaining member whereof shall be the State Treasurer,
45 or, when so designated by him, the Deputy State Treasurer. Of
46 the members initially appointed by the Governor pursuant to
47 P.L. , c. (C.) (now pending before the Legislature as this
48 bill), one shall be appointed for a term of one year, one for a
49 term of two years, one for a term of three years, and one for a
50 term of four years. The term of office of elected members of
51 the commission shall be 4 years. Any vacancy occurring in said
52 commission shall be filled as the office was originally filled. In
53 each municipality and county in which a pension fund
54 consolidated by the provisions of this act existed, elections shall

1 be held on the second Wednesday of June in each year in which a
2 member of said commission is to be elected by the policemen or
3 firemen hereunder. At every such election each policeman and
4 fireman who was a member of any pension fund consolidated and
5 a member of the pension fund created by this act shall be eligible
6 to vote for any of such candidates who shall have been nominated
7 for the office of elective member of said commission. The
8 elections shall be held according to such rules and regulations as
9 the commission shall adopt, subject to the provisions of this act,
10 to govern the holding of such elections and the method of
11 nominating candidates for the office to be voted for thereat.

12 Each member of the commission shall after his appointment or
13 election, take and subscribe an oath that, so far as it devolves
14 upon him, he will diligently and honestly fulfill his duties as a
15 member, and that he will not knowingly violate nor willingly
16 permit to be violated any of the provisions of law applicable to
17 such fund. Each of such oaths, when certified by the officer
18 before whom it is taken, shall be filed in the office of the
19 Secretary of State. The members of the commission shall serve
20 without compensation, but shall be reimbursed for all necessary
21 expenses incurred in discharging their duties as members of said
22 commission.

23 The State Treasurer shall designate a medical board after
24 consultation with the Director of the Division of Pensions,
25 subject to veto by the commission for valid reason. It shall be
26 composed of three physicians who are not eligible to participate
27 in the pension fund. The medical board shall pass upon all
28 medical examinations required under the provisions of the act,
29 shall investigate all essential statements and certificates by or on
30 behalf of a member in connection with an application for
31 disability retirement, and shall report in writing to the pension
32 fund its conclusions and recommendations upon all matters
33 referred to it.

34 (cf: P.L.1971, c.179, s.2)]¹

35 ¹[21.] 11.1 Section 7 of P.L.1952, c.358 (C.43:16-6.2) is
36 amended to read as follows:

37 7. On July 1, 1952, and in each succeeding year, or, when July
38 1 is a legal holiday, upon the first business day thereafter, the
39 members of the commission shall meet in annual meeting at
40 which a chairman shall be elected from the membership thereof.
41 The commission shall keep, in convenient form, such data as may
42 be necessary for the actuarial evaluation of the fund committed
43 to its charge and to serve as a record of its experience in the
44 administration of the pension system dependent upon such fund.
45 A record shall be kept of all proceedings of the commission,
46 which shall be open to public inspection. The Attorney General
47 shall act as the legal adviser of the commission, except that if
48 the ¹[commission] Attorney General¹ determines that a conflict
49 of interest would affect the ability of the Attorney General to
50 represent the commission on a matter affecting the retirement
51 system ¹[or if the Attorney General refuses to represent the
52 commission]¹ , the commission may select and employ legal
53 counsel to advise and represent the commission on that matter.
54 The actuary of the fund shall be [designated] selected by the

1 [State Treasurer after consultation with the Director of the
2 Division of Pensions, subject to veto by the commission for valid
3 reason] ¹[commission in a manner similar to the invitation to bids
4 and the evaluation procedure used by the General Services
5 Administration and the Division of Pensions for the contract in
6 effect on the effective date of P.L. , c. (C.) (now pending
7 before the Legislature as this bill)] the Retirement Systems
8 Actuary Selection Committee established by P.L. , c. ,
9 (currently pending before the Legislature as this bill)¹. He shall
10 be the technical adviser of the commission on all matters
11 regarding the operation of the pension fund not otherwise
12 prescribed by law.

13 (cf: P.L.1970, c.57, s.15)

14 ¹[22.] 12.¹ Section 12 of P.L.1944, c.253 (C.43:16-17) is
15 amended to read as follows:

16 12. The following words and phrases as used in this act, unless
17 a different meaning is plainly required by the context, shall have
18 the following meanings:

19 (1) "Member" shall mean a person who on July 1, 1944, was a
20 member of a municipal police department or paid or part-paid
21 fire department or county police department or a paid or
22 part-paid fire department of a fire district located in a township
23 and who has contributed to the pension fund established under
24 chapter 16 of Title 43 of the Revised Statutes and shall hereafter
25 contribute to said fund.

26 (2) "Active member" shall mean any "member" who is a police
27 officer, firefighter, detective, line person, driver of police van,
28 fire alarm operator or inspector of combustibles and who is
29 subject to call for active service or duty as such.

30 (3) "Employee member" shall mean any "member" who is not
31 subject to call for active service or duty as a police officer,
32 firefighter, detective, line person, driver of police van, fire alarm
33 operator or inspector of combustibles.

34 (4) "Commission" shall mean the board having the general
35 responsibility for the proper operation of the pension fund
36 created by this act, subject to the provisions of chapter 70 of the
37 laws of 1955.

38 (5) "Physician or surgeon" shall mean the medical board
39 composed of physicians who shall be called upon to determine the
40 disability of members as provided by this act.

41 (6) "Employer" shall mean the county, municipality or agency
42 thereof by which a member is employed.

43 (7) "Service" shall mean service rendered while a member is
44 employed by a municipal police department, paid or part-paid
45 fire department, county police department or paid or part-paid
46 fire department of a fire district located in a township prior to
47 the effective date of this act for such service to such
48 departments thereafter.

49 (8) "Pension" shall mean the amount payable to a member or
50 the member's beneficiary under the provisions of this act.

51 (9) "Average salary" shall mean the average salary paid during
52 the last three years of a member's service.

53 (10) "Beneficiary" shall mean any person or persons, other
54 than a member, receiving or entitled to receive a pension or

1 benefits, as provided by this act.

2 (11) "Parent" shall mean the parent of a member who was
3 receiving at least one-half of that parent's support from the
4 member in the 12-month period immediately preceding the
5 member's death or the accident which was the direct cause of
6 the member's death. The dependency of such a parent will be
7 considered terminated by marriage of the parent subsequent to
8 the death of the member.

9 (12) "County police" shall mean all police officers having
10 supervision of regulation of traffic upon county roads.

11 (13) (Deleted by amendment, P.L.1989, c.78.)

12 (14) "Surviving spouse" shall mean the person to whom a
13 member was married before the date of retirement or at least
14 two years before the date of the member's death and whose
15 marriage to the member continued until the member's death.

16 (15) "Child" shall mean a deceased member's unmarried child
17 either (a) under the age of 18 or (b) of any age who, at the time
18 of the member's death, is disabled because of mental retardation
19 or physical incapacity, is unable to do any substantial, gainful
20 work because of the impairment and whose impairment has lasted
21 or can be expected to last for a continuous period of not less than
22 12 months, as affirmed by the examining physicians of the fund.

23 (16) "Regular interest" shall mean [interest as] ¹[the assumed
24 rate of return on investments of the assets of the retirement
25 system used to determine the present value of the liabilities of
26 the system, which rate shall bear a reasonable relationship to the
27 percentage rate of earnings on the assets based upon the market
28 value of the assets. The assumed rate of return shall be
29 determined]¹ [annually] ¹[by the]¹ [State Treasurer] ¹[State
30 Investment Council after consultation with the Directors of the
31 Divisions of Investment and Pensions]¹ [and the actuary of the
32 fund] ¹, as such will be considered by the actuary in determining
33 the liabilities of the fund] interest as determined by the State
34 Treasurer, after consultation with the Directors of the Divisions
35 of Investment and Pensions, the commission and the actuary. It
36 shall bear a reasonable relationship to the percentage rate of
37 earnings on investments based on the market value of the assets
38 but shall not exceed the assumed percentage rate of increase
39 applied to salaries plus 3%, provided however that the
40 commission shall not set the average percentage rate of increase
41 applied to salaries below 6%¹. [It shall bear a reasonable
42 relationship to the percentage rate of earnings on investments
43 but shall not exceed 105% of such percentage rate.]

44 (17) "Final compensation" shall mean the compensation
45 received by the member in the last 12 months of service
46 preceding retirement.

47 (18) "Compensation" shall mean the base salary, for services
48 as a member as defined in this act, which is in accordance with
49 established salary policies of the member's employer for all
50 employees in the same position but shall not include individual
51 salary adjustments which are granted primarily in anticipation of
52 the member's retirement or additional remuneration for
53 performing temporary duties beyond the regular workday.

54 (cf: P.L.1989, c.78, s.1)

1 ¹[23.] 13.¹ Section 1 of P.L.1944, c.255 (C.43:16A-1) is
2 amended to read as follows:

3 1. As used in this act:

4 (1) "Retirement system" or "system" shall mean the Police
5 and Firemen's Retirement System of New Jersey as defined in
6 section 2 of this act.

7 (2) (a) "Policeman" shall mean a permanent, full-time
8 employee of a law enforcement unit as defined in section 2 of
9 P.L.1961, c.56 (C.52:17B-67) or the State, other than an officer
10 or trooper of the Division of State Police whose position is
11 covered by the State Police Retirement System, whose primary
12 duties include the investigation, apprehension or detention of
13 persons suspected or convicted of violating the criminal laws of
14 the State and who:

15 (i) is authorized to carry a firearm while engaged in the actual
16 performance of his official duties;

17 (ii) has police powers;

18 (iii) is required to complete successfully the training
19 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.)
20 or comparable training requirements as determined by the board
21 of trustees; and

22 (iv) is subject to the physical and mental fitness requirements
23 applicable to the position of municipal police officer established
24 by an agency authorized to establish these requirements on a
25 Statewide basis, or comparable physical and mental fitness
26 requirements as determined by the board of trustees.

27 The term shall also include an administrative or supervisory
28 employee of a law enforcement unit or the State whose duties
29 include general or direct supervision of employees engaged in
30 investigation, apprehension or detention activities or training
31 responsibility for these employees and a requirement for
32 engagement in investigation, apprehension or detention activities
33 if necessary, and who is authorized to carry a firearm while in
34 the actual performance of his official duties and has police
35 powers.

36 (b) "Fireman" shall mean a permanent, full-time employee of
37 a firefighting unit whose primary duties include the control and
38 extinguishment of fires and who is subject to the training and
39 physical and mental fitness requirements applicable to the
40 position of municipal firefighter established by an agency
41 authorized to establish these requirements on a Statewide basis,
42 or comparable training and physical and mental fitness
43 requirements as determined by the board of trustees. The term
44 shall also include an administrative or supervisory employee of a
45 firefighting unit whose duties include general or direct
46 supervision of employees engaged in fire control and
47 extinguishment activities or training responsibility for these
48 employees and a requirement for engagement in fire control and
49 extinguishment activities if necessary. As used in this paragraph,
50 "firefighting unit" shall mean a municipal fire department, a fire
51 district, or an agency of a county or the State which is
52 responsible for control and extinguishment of fires.

53 (3) "Member" shall mean any policeman or fireman included in
54 the membership of the retirement system pursuant to this

1 amendatory and supplementary act, P.L.1989, c.204
2 (C.43:16A-15.6 et al.).

3 (4) "Board of trustees" or "board" shall mean the board
4 provided for in section 13 of this act.

5 (5) "Medical board" shall mean the board of physicians
6 provided for in section 13 of this act.

7 (6) "Employer" shall mean the State of New Jersey, the
8 county, municipality or political subdivision thereof which pays
9 the particular policeman or fireman.

10 (7) "Service" shall mean service as a policeman or fireman
11 paid for by an employer.

12 (8) "Creditable service" shall mean service rendered for which
13 credit is allowed as provided under section 4 of this act.

14 (9) "Regular interest" shall mean [interest as] ¹[the assumed
15 rate of return on investments of the assets of the retirement
16 system used to determine the present value of the liabilities of
17 the system, which rate shall bear a reasonable relationship to the
18 percentage rate of earnings on the assets based upon the market
19 value of the assets but shall not exceed the assumed percentage
20 rate of increase applied to salaries plus 3%. The assumed rate of
21 return shall be determined]¹ [annually] ¹[by the]¹ [State
22 Treasurer] ¹[State Investment Council after consultation with the
23 Directors of the Divisions of Investment and Pensions]¹ [and the
24 actuary of the system] ¹interest as determined by the State
25 Treasurer, after consultation with the Directors of the Divisions
26 of Investment and Pensions, the board of trustees and the
27 actuary. It shall bear a reasonable relationship to the percentage
28 rate of earnings on investments based on the market value of
29 assets but shall not exceed the assumed percentage rate of
30 increase applied to salaries plus 3%, provided however that the
31 board of trustees shall not set the average percentage rate of
32 increase applied to salaries below 6%¹. [It shall bear a
33 reasonable relationship to the percentage rate of earnings on
34 investments but shall not exceed 105% of such percentage rate.]

35 (10) "Aggregate contributions" shall mean the sum of all the
36 amounts, deducted from the compensation of a member or
37 contributed by him or on his behalf, standing to the credit of his
38 individual account in the annuity savings fund.

39 (11) "Annuity" shall mean payments for life derived from the
40 aggregate contributions of a member.

41 (12) "Pension" shall mean payments for life derived from
42 contributions by the employer.

43 (13) "Retirement allowance" shall mean the pension plus the
44 annuity.

45 (14) "Earnable compensation" shall mean the full rate of the
46 salary that would be payable to an employee if he worked the full
47 normal working time for his position. In cases where salary
48 includes maintenance, the retirement system shall fix the value
49 of that part of the salary not paid in money which shall be
50 considered under this act.

51 (15) "Average final compensation" shall mean the average
52 annual salary upon which contributions are made for the three
53 years of creditable service immediately preceding his retirement
54 or death, or it shall mean the average annual salary for which

1 contributions are made during any three fiscal years of his or her
2 membership providing the largest possible benefit to the member
3 or his beneficiary.

4 (16) "Retirement" shall mean the termination of the
5 member's active service with a retirement allowance granted
6 and paid under the provisions of this act.

7 (17) "Annuity reserve" shall mean the present value of all
8 payments to be made on account of any annuity or benefit in lieu
9 of any annuity computed upon the basis of such mortality tables
10 recommended by the actuary as shall be adopted by the board of
11 trustees, and regular interest.

12 (18) "Pension reserve" shall mean the present value of all
13 payments to be made on account of any pension or benefit in lieu
14 of any pension computed upon the basis of such mortality tables
15 recommended by the actuary as shall be adopted by the board of
16 trustees, and regular interest.

17 (19) "Actuarial equivalent" shall mean a benefit of equal value
18 when computed upon the basis of such mortality tables
19 recommended by the actuary as shall be adopted by the board of
20 trustees, and regular interest.

21 (20) "Beneficiary" shall mean any person receiving a
22 retirement allowance or other benefit as provided by this act.

23 (21) "Child" shall mean a deceased member's or retirant's
24 unmarried child (a) under the age of 18, or (b) 18 years of age or
25 older and enrolled in a secondary school, or (c) under the age of
26 24 and enrolled in a degree program in an institution of higher
27 education for at least 12 credit hours in each semester, provided
28 that the member died in active service as a result of an accident
29 met in the actual performance of duty at some definite time and
30 place, and the death was not the result of the member's willful
31 misconduct, or (d) of any age who, at the time of the member's
32 or retirant's death, is disabled because of mental retardation or
33 physical incapacity, is unable to do any substantial, gainful work
34 because of the impairment and his impairment has lasted or can
35 be expected to last for a continuous period of not less than
36 12 months, as affirmed by the medical board.

37 (22) "Parent" shall mean the parent of a member who was
38 receiving at least one-half of his support from the member in the
39 12-month period immediately preceding the member's death or
40 the accident which was the direct cause of the member's death.
41 The dependency of such a parent will be considered terminated by
42 marriage of the parent subsequent to the death of the member.

43 (23) "Widower" shall mean the man to whom a member or
44 retirant was married at least two years before the date of her
45 death and to whom she continued to be married until the date of
46 her death and who was receiving at least one-half of his support
47 from the member or retirant in the 12-month period immediately
48 preceding the member's or retirant's death or the accident
49 which was the direct cause of the member's death. The
50 dependency of such a widower will be considered terminated by
51 marriage of the widower subsequent to the death of the member
52 or retirant. In the event of the payment of an accidental death
53 benefit, the two-year qualification shall be waived.

54 (24) "Widow" shall mean the woman to whom a member or

1 retirant was married at least two years before the date of his
2 death and to whom he continued to be married until the date of
3 his death and who has not remarried. In the event of the payment
4 of an accidental death benefit, the two-year qualification shall
5 be waived.

6 (25) "Fiscal year" shall mean any year commencing with
7 July 1, and ending with June 30, next following.

8 (26) "Compensation" shall mean the base salary, for services
9 as a member as defined in this act, which is in accordance with
10 established salary policies of the member's employer for all
11 employees in the same position but shall not include individual
12 salary adjustments which are granted primarily in anticipation of
13 the member's retirement or additional remuneration for
14 performing temporary duties beyond the regular workday.

15 (27) "Department" shall mean any police or fire department of
16 a municipality or a fire department of a fire district located in a
17 township or a county police or park police department or the
18 appropriate department of the State or instrumentality thereof.

19 (28) "Final compensation" means the compensation received
20 by the member in the last 12 months of creditable service
21 preceding his retirement.

22 (29) "Mortgage loan" shall mean any indebtedness secured by a
23 mortgage on a residential property, which mortgage shall
24 constitute a first lien on that property.

25 (30) "Residential property" shall mean any real property
26 including land or, in the case of condominiums, an interest in a
27 lot of land, which real property shall consist of a single one- or
28 two-family dwelling, including appropriate garages or other
29 outbuildings.

30 (cf: P.L.1991, c.414, s.1)

31 ¹[24.] 14.¹ Section 13 of P.L.1944, c.255 (C.43:16A-13) is
32 amended to read as follows:

33 13. (1) Subject to the provisions of P.L.1955, c.70
34 (C.52:18A-95 et seq.), the general responsibility for the proper
35 operation of the retirement system is hereby vested in a board of
36 trustees.

37 (2) The board shall consist of nine trustees as follows:

38 (a) Four members to be appointed by the Governor, with the
39 advice and consent of the Senate, who shall serve [at the pleasure
40 of the Governor] for a term of office of four years and until their
41 successors are appointed and who shall be private citizens of the
42 State of New Jersey who are neither an officer thereof nor an
43 active or retired member of any police or fire department
44 thereof. Of the four members initially appointed by the Governor
45 pursuant to P.L. , c. (C.) (now pending before the
46 Legislature as this bill), one shall be appointed for a term of one
47 year, one for a term of two years, one for a term of three years,
48 and one for a term of four years.

49 (b) The State Treasurer or the deputy State Treasurer, when
50 designated for that purpose by the State Treasurer.

51 (c) Two policemen and two firemen who shall be active or
52 retired members of the system and who shall be elected by the
53 members of the system for a term of four years according to such
54 rules and regulations as the board of trustees shall adopt to
55 govern such election.

1 (3) Each trustee shall, after his appointment or election, take
2 an oath of office that, so far as it devolves upon him he will
3 diligently and honestly fulfill his duties as a board member, and
4 that he will not knowingly violate or willingly permit to be
5 violated any of the provisions of the law applicable to the
6 retirement system. Such oath shall be subscribed by the member
7 making it, and certified by the officer before whom it is taken,
8 and immediately filed in the office of the Secretary of State.

9 (4) If a vacancy occurs in the office of a trustee, the vacancy
10 shall be filled in the same manner as the office was previously
11 filled.

12 (5) The trustees shall serve without compensation, but they
13 shall be reimbursed for all necessary expenses that they may
14 incur through service on the board.

15 (6) Each trustee shall be entitled to one vote in the board. Five
16 trustees must be present at any meeting of said board for the
17 transaction of its business.

18 (7) Subject to the limitations of this act, the board of trustees
19 shall annually establish rules and regulations for the
20 administration of the funds created by this act and for the
21 transaction of its business. Such rules and regulations shall be
22 consistent with those adopted by the other pension funds within
23 the Division of Pensions in order to permit the most economical
24 and uniform administration of all such retirement systems.

25 (8) The board of trustees shall elect from its membership a
26 chairman. The Chief of the Bureau of Police and Fire Funds of
27 the Division of Pensions of the State Department of the Treasury
28 shall be the secretary of the board. The administration of the
29 program shall be performed by the personnel of the Division of
30 Pensions.

31 (9) The board of trustees shall keep a record of all of its
32 proceedings which shall be open to public inspection. The
33 retirement system shall publish annually a report showing the
34 fiscal transactions of the retirement system for the preceding
35 year, the amount of the accumulated cash and securities of the
36 system, and the last balance sheet showing the financial condition
37 of the system by means of an actuarial valuation of the assets
38 and liabilities of the retirement system.

39 (10) The Attorney General of the State of New Jersey shall be
40 the legal advisor of the [board of trustees] retirement system,
41 except that if the ¹[board] Attorney General¹ determines that a
42 conflict of interest would affect the ability of the Attorney
43 General to represent the board on a matter affecting the
44 retirement system ¹[or if the Attorney General refuses to
45 represent the board]¹ , the board may select and employ legal
46 counsel to advise and represent the board on that matter.

47 (11) The State Treasurer shall designate a medical board after
48 consultation with the Director of the Division of Pensions,
49 subject to veto by the board of trustees for valid reason. It shall
50 be composed of three physicians who are not eligible to
51 participate in the retirement system. The medical board shall
52 pass upon all medical examinations required under the provisions
53 of this act, shall investigate all essential statements and
54 certificates by or on behalf of a member in connection with an

1 application for disability retirement, and shall report in writing
2 to the retirement system its conclusions and recommendations
3 upon all matters referred to it.

4 (12) The actuary of the system shall be [designated] selected
5 by the [State Treasurer after consultation with the Director of
6 the Division of Pensions, subject to veto by the board for valid
7 reason] ¹[board in a manner similar to the invitation to bids and
8 the evaluation procedure used by the General Services
9 Administration and the Division of Pensions for the contract in
10 effect on the effective date of P.L. , c. (C.) (now pending
11 before the Legislature as this bill)] the Retirement Systems
12 Actuary Selection Committee established by P.L. , c.
13 (currently pending before the Legislature as this bill)¹. He shall
14 be the technical advisor of the board of trustees on matters
15 regarding the operation of the funds created by the provisions of
16 this act, and shall perform such other duties as are required in
17 connection therewith.

18 (13) At least once in each three-year period the actuary shall
19 make an actuarial investigation into the mortality, service and
20 compensation experience of the members and beneficiaries of the
21 retirement system and, with the advice of the actuary, the board
22 of trustees shall adopt for the retirement system such mortality,
23 service and other tables as shall be deemed necessary and shall
24 certify the rates of contribution payable under the provisions of
25 this act.

26 (14) (Deleted by amendment.)

27 (15) On the basis of such tables recommended by the actuary
28 as the board of trustees shall adopt and regular interest, the
29 actuary shall make an annual valuation of the assets and liability
30 of the funds of the system created by this act.

31 (16) (Deleted by amendment, P.L.1987, c.330.)

32 (17) Each policeman or fireman member of the board of
33 trustees shall be entitled to time off from his duty, with pay,
34 during the periods of his attendance upon regular or special
35 meetings of the board of trustees, and such time off shall include
36 reasonable travel time required in connection therewith.

37 (cf: P.L.1987, c.330, s.1)

38 ¹[25.] 15.¹ Section 15 of P.L.1944, c.255 (C.43:16A-15) is
39 amended to read as follows:

40 15. (1) The contributions required for the support of the
41 retirement system shall be made by members and their employers.

42 (2) The uniform percentage contribution rate for members
43 shall be 8.5% of compensation.

44 (3) (Deleted by amendment, P.L.1989, c.204).

45 (4) Each employer shall make contributions equal to the
46 percentage of compensation of members in its employ as
47 certified by the board of trustees based on annual actuarial
48 valuations. The percentage rate of contribution payable by
49 employers shall be determined initially on the basis of the entry
50 age normal cost method. This shall be known as the "normal
51 contribution." The actuary shall redetermine the normal
52 contributions for the retirement system as of June 30, 1989 and
53 June 30, 1990.

54 (5) (Deleted by amendment, P.L.1989, c.204).

1 (6) The percentage rates of contribution payable by employers
2 pursuant to subsection (4) of this section shall be subject to
3 adjustment from time to time by the board of trustees with the
4 advice of the actuary on the basis of annual actuarial valuations
5 and experience investigations as provided under section 13, so
6 that the value of future contributions of members and employers,
7 when taken with present assets, shall be equal to the value of
8 prospective benefit payments.

9 (7) Each employer shall cause to be deducted from the salary
10 of each member the percentage of earnable compensation
11 prescribed in subsection (2) of this section. To facilitate the
12 making of deductions, the retirement system may modify the
13 amount of deduction required of any member by an amount not to
14 exceed 1/10 of 1% of the compensation upon which the deduction
15 is based.

16 (8) The deductions provided for herein shall be made
17 notwithstanding that the minimum salary provided for by law for
18 any member shall be reduced thereby. Every member shall be
19 deemed to consent and agree to the deductions made and
20 provided for herein, and payment of salary or compensation less
21 said deduction shall be a full and complete discharge and
22 acquittance of all claims and demands whatsoever for the service
23 rendered by such person during the period covered by such
24 payment, except as to the benefits provided under this act. The
25 chief fiscal officer of each employer shall certify to the
26 retirement system in such manner as the retirement system may
27 prescribe, the amounts deducted; and when deducted shall be paid
28 into said annuity savings fund, and shall be credited to the
29 individual account of the member from whose salary said
30 deduction was made.

31 (9) Upon the basis of [such] the tables recommended by the
32 actuary [as] which the board adopts and regular interest, the
33 actuary shall compute the amount of the unfunded liability [as of
34 June 30, 1988 which has accrued on the basis of service rendered
35 prior to July 1, 1988 by all members, which amount shall remain
36 frozen and shall be amortized over a period not to exceed 40
37 years as determined by the State Treasurer] ¹[, beginning with
38 the valuation]¹ as of June 30, 1989, ¹[or for any subsequent
39 valuation following a significant change in benefits or actuarial
40 assumptions as determined by the board of trustees after
41 consultation with the Director of the Division of Pensions and the
42 actuary,]¹ which is not already covered by the assets of the
43 retirement system, valued in accordance with ¹[an] the¹ asset
44 valuation method ¹[adopted by the board of trustees after
45 consultation with the Directors of the Divisions of Investment
46 and Pensions and the actuary which shall reasonably reflect the
47 market value of the assets,] established in this section,¹ and by
48 prospective employer normal contributions and employee
49 contributions. Using the total amount of this unfunded accrued
50 liability, the actuary shall [compute an increasing amount of
51 annual payment, which is estimated to remain a level percentage
52 of prospective total compensation and which, if paid in each
53 succeeding fiscal year commencing with July 1, 1989, for the
54 period determined by the State Treasurer, will provide for]

1 determine a rate of contribution that shall be an initial amount of
2 contribution divided by the compensation of all active members
3 for the valuation period where, if the contribution is increased
4 annually for a specific period of time, it will amortize this
5 liability. The ¹[board of trustees] State Treasurer¹ shall
6 determine, upon the advice of the Director of the Division of
7 Pensions ¹, the board of trustees¹ and the actuary, the rate of
8 increase for the contribution and the time period for full funding
9 of this liability, which shall not exceed 40 years. This shall be
10 known as the "accrued liability contribution rate." ¹[The accrued
11 liability contribution rate shall remain constant unless it is
12 redetermined following a significant change in benefits or
13 actuarial assumptions.]¹ The actuary shall compute annually an
14 amount of contribution based upon the total compensation of all
15 members in active service and the accrued liability contribution
16 rate. This shall be known as the "accrued liability contribution."

17 The value of the assets for the valuation period ending June 30,
18 1989 shall be the full market value of the assets as of that date.
19 ¹[The value of the assets for the valuation period ending June 30,
20 1990 shall be the value of the assets for the preceding valuation
21 period plus 20% of the difference between this preceding value,
22 and the preceding value plus interest on the preceding value at
23 the rate of 8.75%, plus the difference between the benefits paid
24 by the system and the contributions to the system during the
25 valuation period plus interest on the difference at the rate of 4
26 3/8%.] The value of the assets for the valuation period ending
27 June 30, 1990 shall be the value of the assets for the preceding
28 valuation period increased by 8 3/4%, plus the net cash flow for
29 the valuation period (the difference between the benefits paid by
30 the system and the contributions to the system) increased by 4
31 3/8%, plus 20% of the difference between this expected value and
32 the full market value of the assets as of June 30, 1990. The value
33 of the assets for the valuation periods ending on or after June 30,
34 1991 shall be the value of the assets for the preceding valuation
35 period increased by the regular interest rate, plus the net cash
36 flow for the valuation period (the difference between the benefits
37 paid by the system and the contributions to the system) increased
38 by one half of the regular interest rate, plus 20% of the
39 difference between this expected value and the full market value
40 of the assets as of the end of the valuation period.]¹

41 The tables of actuarial assumptions previously adopted by the
42 board of trustees for the valuation periods ending June 30, 1989
43 and June 30, 1990 shall be applicable to the revaluations of the
44 retirement system under P.L. , c. (C.) (now pending before
45 the Legislature as this bill), except that the assumptions for
46 salary increases, medical premium inflation and increases in
47 pension adjustment benefits shall be those proposed by the
48 actuary to the retirement system in the draft revision of the
49 annual actuarial reports for the valuation periods ending June 30,
50 1989 and June 30, 1990 submitted by the actuary on April 27,
51 1992.

52 The normal and accrued liability contributions [as], which shall
53 be certified by the retirement system no later than December 31
54 each year, shall be included in the budget of the employer and

1 levied and collected in the same manner as any other taxes are
2 levied and collected for the payment of the salaries of members.

3 (10) The treasurer or corresponding officer of the employer
4 shall pay [on or before July 1 in each year] to the State Treasurer
5 no later than April 1 of the State's fiscal year in which payment
6 is due the amount so certified as payable by the employer, and
7 shall pay monthly to the State Treasurer the amount of the
8 deductions from the salary of the members in the employ of the
9 employer, and the State Treasurer shall credit such amount to the
10 appropriate fund or funds, of the retirement system.

11 If payment of the full amount of the employer's obligation is
12 not made within 30 days of the due date established by this act,
13 interest at the rate of 10% per annum shall commence to run
14 against the unpaid balance thereof on the first day after such
15 30th day.

16 If payment in full, representing the monthly transmittal and
17 report of salary deductions, is not made within 15 days of the due
18 date established by the retirement system, interest at the rate of
19 10% per annum shall commence to run against the total
20 transmittal of salary deductions for the period on the first day
21 after such 15th day.

22 (11) The expenses of administration of the retirement system
23 shall be paid by the State of New Jersey. Each employer shall
24 reimburse the State for a proportionate share of the amount paid
25 by the State for administrative expense. This proportion shall be
26 computed as the number of members under the jurisdiction of
27 such employer bears to the total number of members in the
28 system. The pro rata share of the cost of administrative expense
29 shall be included with the certification by the retirement system
30 of the employer's contribution to the system.

31 (12) Notwithstanding anything to the contrary, the retirement
32 system shall not be liable for the payment of any pension or other
33 benefits on account of the employees or beneficiaries of any
34 employer participating in the retirement system, for which
35 reserves have not been previously created from funds,
36 contributed by such employer or its employees for such benefits.

37 (13) [The Legislature shall annually appropriate and the State
38 Treasurer shall pay into the pension accumulation fund of the
39 retirement system an amount equal to 1.8% of the compensation
40 of the members of the system upon which the normal contribution
41 rate is based to fund the benefits provided by section 16 of
42 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.]
43 (Deleted by amendment, P.L. , c.) (now pending before the
44 Legislature as this bill)

45 (14) Commencing with valuation year 1991, with payment to
46 be made in Fiscal Year 1994, the Legislature shall annually
47 appropriate and the State Treasurer shall pay into the pension
48 accumulation fund of the retirement system an amount equal to
49 1.4% of the compensation of the members of the system upon
50 which the normal contribution rate is based to fund the benefits
51 provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as
52 amended by P.L.1979, c.109.

53 (cf: P.L.1991, c.136, s.2)

54 ¹[26. Section 7 of P.L.1989, c.204 (C.43:16A-15.6) is amended

1 to read as follows:

2 7. Pension adjustment benefits for members and beneficiaries
3 of the Police and Firemen's Retirement System of New Jersey as
4 provided by P.L.1969, c.169 (C.43:3B-1 et seq.) shall be paid by
5 the retirement system from the contingent reserve fund and shall
6 be funded as employer obligations in a similar manner to that
7 provided for the funding of employer obligations for the
8 retirement benefits provided by the retirement system. The
9 funding shall be phased in as determined by the board of trustees
10 after consultation with the Director of the Division of Pensions
11 and the actuary, except that: a. the phase-in period shall not
12 exceed 25 years, and b. any reduction in contributions from
13 recognition of the full market value of the assets as of June 30,
14 1989 over the adjusted book value of the assets written up by 60%
15 of the excess of market value over adjusted book value as of June
16 30, 1989 in a fashion similar to that presented in the draft
17 revision of the annual actuarial reports for the valuation periods
18 ending June 30, 1989 and June 30, 1990 submitted by the actuary
19 on April 27, 1992 shall be used to accelerate the funding of the
20 liabilities for pension adjustment benefits.

21 (cf: P.L.1989, c.204, s.7)]¹

22 ¹[27.] 16.¹ Section 3 of P.L.1965, c.89 (C.53:5A-3) is amended
23 to read as follows:

24 3. As used in this act:

25 a. "Aggregate contributions" means the sum of all the
26 amounts, deducted from the salary of a member or contributed by
27 him or on his behalf, standing to the credit of his individual
28 account in the Annuity Savings Fund. Interest credited on
29 contributions to the former "State Police Retirement and
30 Benevolent Fund" shall be included in a member's aggregate
31 contributions.

32 b. "Annuity" means payments for life derived from the
33 aggregate contributions of a member.

34 c. "Annuity reserve" means the present value of all payments
35 to be made on account of any annuity or benefit in lieu of an
36 annuity, computed upon the basis of such mortality tables
37 recommended by the actuary as the board of trustees adopts and
38 regular interest.

39 d. "Beneficiary" means any person entitled to receive any
40 benefit pursuant to the provisions of this act by reason of the
41 death of a member or retirant.

42 e. "Board of trustees" or "board" means the board provided
43 for in section 30 of this act.

44 f. "Child" means a deceased member's or retirant's
45 unmarried child either (a) under the age of 18 or (b) of any age
46 who, at the time of the member's or retirant's death, is disabled
47 because of mental retardation or physical incapacity, is unable to
48 do any substantial, gainful work because of the impairment and
49 his impairment has lasted or can be expected to last for a
50 continuous period of not less than 12 months, as affirmed by the
51 medical board.

52 g. "Creditable service" means service rendered for which
53 credit is allowed on the basis of contributions made by the
54 member or the State.

- 1 h. "Parent" means the parent of a member who was receiving
2 at least one-half of his support from the member in the 12-month
3 period immediately preceding the member's death or the
4 accident which was the direct cause of the member's death. The
5 dependency of such a parent will be considered terminated by
6 marriage of the parent subsequent to the death of the member.
- 7 i. "Final compensation" means the average compensation
8 received by the member in the last 12 months of creditable
9 service preceding his retirement or death. Such term includes
10 the value of the member's maintenance allowance for this same
11 period.
- 12 j. "Final salary" means the average salary received by the
13 member in the last 12 months of creditable service preceding his
14 retirement or death. Such term shall not include the value of the
15 member's maintenance allowance.
- 16 k. "Fiscal year" means any year commencing with July 1 and
17 ending with June 30 next following.
- 18 L. "Medical board" means the board of physicians provided for
19 in section 30 of this act.
- 20 m. "Member" means any full-time, commissioned officer,
21 non-commissioned officer or trooper of the Division of State
22 Police of the Department of Law and Public Safety of the State
23 of New Jersey enrolled in the retirement system established by
24 this act.
- 25 n. "Pension" means payment for life derived from
26 contributions by the State.
- 27 o. "Pension reserve" means the present value of all payments
28 to be made on account of any pension or benefit in lieu of any
29 pension computed on the basis of such mortality tables
30 recommended by the actuary as shall be adopted by the board of
31 trustees and regular interest.
- 32 p. "Regular interest" means [interest as] ¹[the assumed rate of
33 return on investments of the assets of the retirement system used
34 to determine the present value of the liabilities of the system,
35 which rate shall bear a reasonable relationship to the percentage
36 rate of earnings on the assets based upon the market value of the
37 assets but shall not exceed the assumed percentage rate of
38 increase applied to salaries plus 3%. The assumed rate of return
39 shall be determined]¹ [annually] ¹[by the]¹ [State Treasurer]
40 ¹[State Investment Council after consultation with the Directors
41 of the Divisions of Investment and Pensions]¹ [and the actuary of
42 the system] interest as determined by the State Treasurer, after
43 consultation with the Directors of the Divisions of Investment
44 and Pensions, the board of trustees and the actuary. It shall bear
45 a reasonable relationship to the percentage rate of earnings on
46 investments based on the market value of the assets but shall not
47 exceed the assumed percentage rate of increase applied to
48 salaries plus 3%, provided however that the board of trustees
49 shall not set the average percentage rate of increase applied to
50 salaries below 6%¹. [It shall bear a reasonable relationship to the
51 percentage rate of earnings on investments but shall not exceed
52 105% of such percentage rate.]
- 53 q. "Retirant" means any former member receiving a
54 retirement allowance as provided by this act.

1 r. "Retirement allowance" means the pension plus the annuity.

2 s. "State Police Retirement System of New Jersey," herein
3 also referred to as the "retirement system" or "system," is the
4 corporate name of the arrangement for the payment of
5 retirement allowances and of the benefits under the provisions of
6 this act including the several funds placed under said system. By
7 that name, all of its business shall be transacted, its funds
8 invested, warrants for moneys drawn, and payments made and all
9 of its cash and securities and other property held. All assets held
10 in the name of the former "State Police Retirement and
11 Benevolent Fund" shall be transferred to the retirement system
12 established by this act.

13 t. "Surviving spouse" means the person to whom a member or
14 a retirant was married on the date of the death of the member or
15 retirant. The dependency of such a surviving spouse will be
16 considered terminated by the marriage of the surviving spouse
17 subsequent to the member's or the retirant's death.

18 u. "Compensation" for purposes of computing pension
19 contributions means the base salary, for services as a member as
20 defined in this act, which is in accordance with established salary
21 policies of the State for all employees in the same position but
22 shall not include individual salary adjustments which are granted
23 primarily in anticipation of the member's retirement or
24 additional remuneration for performing temporary duties beyond
25 the regular work day or shift.

26 (cf: P.L.1985, c.355, s.1)

27 ¹[28.] 17.1 Section 30 of P.L.1965, c.89 (C.53:5A-30) is
28 amended to read as follows:

29 30. a. Subject to the provisions of P.L.1955, c.70
30 (C.52:18A-95 et seq.), the general responsibility for the proper
31 operation of the retirement system is hereby vested in the board
32 of trustees.

33 b. The board shall consist of five trustees as follows:

34 (1) Two active or retired members of the system who shall be
35 appointed by the Superintendent of State Police, who shall serve
36 at the pleasure of the superintendent and until their successors
37 are appointed and one of whom shall be or shall have been a
38 commissioned officer of the Division of State Police.

39 (2) Two members to be appointed by the Governor, with the
40 advice and consent of the Senate, who shall serve [at the pleasure
41 of the Governor] for a term of office of three years and until
42 their successors are appointed and who shall be private citizens
43 of the State of New Jersey who are neither an officer thereof nor
44 active or retired members of the system. Of the two members
45 initially appointed by the Governor pursuant to P.L. , c. (C.
46) (now pending before the Legislature as this bill), one shall be
47 appointed for a term of two years and one for a term of three
48 years.

49 (3) The State Treasurer ex officio. The Deputy State
50 Treasurer, when designated for that purpose by the State
51 Treasurer, may sit as a member of the board of trustees and when
52 so sitting shall have all the powers and shall perform all the
53 duties vested by this act in the State Treasurer.

54 c. Each trustee shall, after his appointment, take an oath of

1 office that, so far as it devolves upon him, he will diligently and
2 honestly fulfill his duties as a board member, that he will not
3 knowingly violate or permit to be violated any of the provisions
4 of the law applicable to the retirement system. Such oath shall
5 be subscribed by the member taking it, and certified by the
6 official before whom it is taken, and immediately filed in the
7 office of the Secretary of State.

8 d. If a vacancy occurs in the office of a trustee, the vacancy
9 shall be filled in the same manner as the office was previously
10 filled.

11 e. The trustees shall serve without compensation, but they
12 shall be reimbursed by the State for all necessary expenses that
13 they may incur through service on the board. No employee
14 member shall suffer loss of salary through the serving on the
15 board.

16 f. Except as otherwise herein provided, no member of the
17 board of trustees shall have any direct interest in the gains or
18 profits of any investments of the retirement system; nor shall any
19 member of the board of trustees directly or indirectly, for
20 himself or as an agent in any manner use the moneys of the
21 retirement system, except to make such current and necessary
22 payments as are authorized by the board of trustees; nor shall any
23 member of the board of trustees become an endorser or surety, or
24 in any manner an obligor for moneys loaned to or borrowed from
25 the retirement system.

26 g. Each trustee shall be entitled to one vote in the board. A
27 majority vote of all trustees shall be necessary for any decision
28 by the trustees at any meeting of said board.

29 h. Subject to the limitations of this act, the board of trustees
30 shall annually establish rules and regulations for the
31 administration of the funds created by this act and for the
32 transactions of its business. Such rules and regulations shall be
33 consistent with those adopted by the other pension funds within
34 the Division of Pensions in order to permit the most economical
35 and uniform administration of all such retirement systems.

36 i. The actuary of the fund shall be [~~designated~~] selected by the
37 [State Treasurer after consultation with the Director of the
38 Division of Pensions, subject to veto by the board for valid
39 reason] ¹[board in a manner similar to the invitation to bids and
40 the evaluation procedure used by the General Services
41 Administration and the Division of Pensions for the contract in
42 effect on the effective date of P.L. , c. (C.) (now pending
43 before the Legislature as this bill)] the Retirement Systems
44 Actuary Selection Committee established by P.L. , c.
45 (currently pending before the Legislature as this bill)]¹. He shall
46 be the technical adviser of the board on matters regarding the
47 operation of the funds created by the provisions of this act and
48 shall perform such other duties as are required in connection
49 herewith.

50 j. The Attorney General shall be the legal adviser of the
51 retirement system, except that if the ¹[board] Attorney General¹
52 determines that a conflict of interest would affect the ability of
53 the Attorney General to represent the board on a matter
54 affecting the retirement system ¹[or if the Attorney General

1 refuses to represent the board]¹ , the board may select and
2 employ legal counsel to advise and represent the board on that
3 matter.

4 k. The Chief of the Bureau of Police and Fire Funds of the
5 Division of Pensions of the State Department of the Treasury
6 shall be the secretary of the board.

7 l. The board of trustees shall keep a record of all of its
8 proceedings which shall be open to public inspection. The
9 retirement system shall publish annually a report showing the
10 fiscal transactions of the retirement system for the preceding
11 year, the amount of the accumulated cash and securities of the
12 system and the last balance sheet showing the financial condition
13 of the system by means of an actuarial valuation of the assets
14 and liabilities of the retirement system.

15 m. The State Treasurer shall designate a medical board after
16 consultation with the Director of the Division of Pensions,
17 subject to veto by the board of trustees for valid reason. It shall
18 be composed of three physicians. The medical board shall pass on
19 all medical examinations required under the provisions of this
20 act, and shall report in writing to the retirement system its
21 conclusions and recommendations upon all matters referred to it.

22 n. (Deleted by amendment, P.L.1987, c.330)
23 (cf: P.L.1987, c.330, s.3)

24 ¹[29.] 18.¹ Section 34 of P.L.1965, c.89 (C.53:5A-34) is
25 amended to read as follows:

26 34. The Contingent Reserve Fund shall be the fund in which
27 shall be credited contributions made by the State.

28 a. Upon the basis of [such] the tables recommended by the
29 actuary [as] which the board adopts and regular interest, the
30 actuary shall compute annually the amount of the contribution,
31 expressed as a proportion of the salaries paid to all members,
32 which, if paid monthly during the entire prospective service of
33 the members, will be sufficient to provide for the pension
34 reserves required at the time of the discontinuance of active
35 service[,] to cover all pensions to which they may be entitled or
36 which are payable on their account and to provide for the amount
37 of the death and accidental disability benefits payable on their
38 account, which amount is not covered by other contributions to
39 be made as provided in this section and the funds in hand
40 available for such benefits. This shall be known as the "normal
41 contribution." The actuary shall redetermine the normal
42 contributions for the retirement system as of June 30, 1990 and
43 June 30, 1991.

44 b. Upon the basis of [such] the tables recommended by the
45 actuary [as] which the board adopts[,] and regular interest, the
46 actuary shall compute the amount of the unfunded liability [as of
47 June 30, 1971 which has accrued on the basis of service rendered
48 prior to July 1, 1971 by all members, including the amount of the
49 liability accrued by reason of allowances to be granted on
50 account of services rendered by members of the former "State
51 Police Retirement and Benevolent Fund" which has not already
52 been covered by previous State contributions to the former
53 system, including the accrued liabilities established by chapter 89
54 of the laws of 1965 and the additional liabilities created by the

1 provisions of this amendatory act] ¹[, beginning with the
2 valuation]¹ as of June 30, 1990, ¹[or for any subsequent valuation
3 following a significant change in benefits or actuarial
4 assumptions as determined by the board of trustees after
5 consultation with the Director of the Division of Pensions and the
6 actuary,]¹ which is not already covered by the assets of the
7 retirement system, valued in accordance with ¹[an] the¹ asset
8 valuation method ¹[adopted by the board of trustees after
9 consultation with the Directors of the Divisions of Investment
10 and Pensions and the actuary which shall reasonably reflect the
11 market value of the assets,] established in this section,¹ and by
12 prospective employer normal contributions and employee
13 contributions. Using the total amount of this unfunded accrued
14 liability [he shall compute the amount of the flat annual payment,
15 which, if paid in each succeeding fiscal year, commencing with
16 July 1, 1972, for a period of 40 years, will provide for], the
17 actuary shall determine a rate of contribution that shall be an
18 initial amount of contribution divided by the compensation of all
19 active members for the valuation period where, if the
20 contribution is increased annually for a specific period of time, it
21 will amortize this liability. The ¹[board of trustees] State
22 Treasurer¹ shall determine, upon the advice of the Director of
23 the Division of Pensions ¹, the board of trustees¹ and the
24 actuary, the rate of increase for the contribution and the time
25 period for full funding of this liability, which shall not exceed 40
26 years. This shall be known as the "accrued liability contribution
27 rate." ¹[The accrued liability contribution rate shall remain
28 constant unless it is redetermined following a significant change
29 in benefits or actuarial assumptions.]¹ The actuary shall compute
30 annually an amount of contribution based upon the total
31 compensation of all members in active service and the accrued
32 liability contribution rate. This shall be known as the "accrued
33 liability contribution."

34 The value of the assets for the valuation period ending June 30,
35 1990 shall be the full market value of the assets as of that date.
36 ¹[The value of the assets for the valuation period ending June 30,
37 1991 shall be the value of the assets for the preceding valuation
38 period plus 20% of the difference between this preceding value,
39 and the preceding value plus interest on the preceding value at
40 the rate of 8.75%, plus the difference between the benefits paid
41 by the system and the contributions to the system during the
42 valuation period plus interest on the difference at the rate of 4
43 3/8%.] The value of the assets for the valuation period ending
44 June 30, 1991 shall be the value of the assets for the preceding
45 valuation period increased by 8 3/4%, plus the net cash flow for
46 the valuation period (the difference between the benefits paid by
47 the system and the contributions to the system) increased by 4
48 3/8%, plus 20% of the difference between this expected value and
49 the full market value of the assets as of June 30, 1991. The value
50 of the assets for the valuation periods ending on or after June 30,
51 1992 shall be the value of the assets for the preceding valuation
52 period increased by the regular interest rate, plus the net cash
53 flow for the valuation period (the difference between the benefits
54 paid by the system and the contributions to the system) increased

1 by one half of the regular interest rate, plus 20% of the
2 difference between this expected value and the full market value
3 of the assets as of the end of the valuation period.¹

4 The tables of actuarial assumptions previously adopted by the
5 board of trustees for the valuation periods ending June 30, 1990
6 and June 30, 1991 shall be applicable to the revaluations of the
7 retirement system under P.L. , c. (C.) (now pending before
8 the Legislature as this bill), except that the assumptions for
9 salary increases, medical premium inflation and increases in
10 pension adjustment benefits shall be those proposed by the
11 actuary to the retirement system in the draft revision of the
12 annual actuarial reports for the valuation periods ending June 30,
13 1990 and June 30, 1991 submitted by the actuary on April 27,
14 1992.

15 An annual employer contribution for valuation years 1990 and
16 1991 is not required if the actuarial value of the assets exceeds
17 the sum of the entry-age accrued liability and the normal
18 contribution for those valuation years.

19 c. The actuary shall certify annually the aggregate amount
20 payable to the Contingent Reserve Fund in the ensuing year,
21 which amount shall be equal to the sum of the proportion of the
22 earnable salary of all members, computed as described in
23 subsection a. hereof and of the State's accrued liability
24 contribution, payable in the ensuing year, as described in
25 subsection b. hereof. The State shall pay into the Contingent
26 Reserve Fund during the ensuing year the amount so [determined]
27 certified. In the event the amount certified to be paid by the
28 State includes amounts due for services rendered by members to
29 specific instrumentalities or authorities the total amounts so
30 certified shall be paid to the retirement system by the State;
31 provided, however, the full cost attributable to such services
32 rendered to such instrumentalities and authorities shall be
33 computed separately by the actuary and the State shall be
34 reimbursed for such amounts by such instrumentalities or
35 authorities.

36 The cash death benefits, payable as the result of contribution
37 by the State under the provisions of this act upon the death of a
38 member in active service and after retirement shall be paid from
39 the Contingent Reserve Fund.

40 (cf: P.L.1980, c.55, s.5)

41 ¹[30. (New section) Pension adjustment benefits for members
42 and beneficiaries of the State Police Retirement System provided
43 by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et
44 seq.) and premiums or periodic charges which the State is
45 required to pay for benefits provided to retired State employees
46 and their dependents under the "New Jersey State Health
47 Benefits Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.),
48 shall be paid by the retirement system from the contingent
49 reserve fund or other fund or trust, established under the
50 jurisdiction of the board of trustees, which shall receive
51 contributions only to the extent that contributions cannot
52 otherwise be made to a section 401 (h) account due to the
53 requirements of subsection (h) of section 401 of the federal
54 Internal Revenue Code of 1986, 26 U.S.C.§401. Any premium

1 payments for retired participants shall first be a charge upon
2 such other fund or trust and only secondarily on the assets set
3 aside under subsection (h) of section 401 of the federal Internal
4 Revenue Code of 1986, 26 U.S.C. §401. The pension adjustment
5 benefits and premiums for health care benefits for qualified
6 retirees shall be funded as employer obligations in a similar
7 manner to that provided for the funding of employer obligations
8 for the retirement benefits provided by the retirement system.
9 The funding shall be phased in as determined by the board of
10 trustees after consultation with the Director of the Division of
11 Pensions and the actuary, except that: a. the phase-in period
12 shall begin with valuation year 1993 and shall not exceed 25
13 years, and b. any reduction in contributions from recognition of
14 the full market value of the assets as of June 30, 1990 over the
15 adjusted book value of the assets written up by 60% of the excess
16 of market value over adjusted book value as of June 30, 1990 in a
17 fashion similar to that presented in the draft revision of the
18 annual actuarial reports for the valuation periods ending June 30,
19 1990 and June 30, 1991 submitted by the actuary on April 27,
20 1992 shall be used to accelerate the funding of the liabilities for
21 pension adjustment benefits and health care benefits. The board
22 of trustees shall determine the assumed percentage rate of
23 increase applied to the cost of providing paid health benefits for
24 retirees.]¹

25 ¹[31. (New section) Notwithstanding the provisions of the
26 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.),
27 pension adjustment benefits provided under that act for members
28 and beneficiaries of the State Police Retirement System shall be
29 paid by the retirement system.]¹

30 ¹[32. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
31 read as follows:

32 5. There is hereby established in the Division of Investment a
33 State Investment Council which shall consist of [10] 11 members.

34 [Within 10 days after the effective date of this act each] Each
35 of the following agencies, namely, the Board of Trustees of the
36 Public Employees' Retirement System, the Board of Trustees of
37 the State Police Retirement System, the Board of Trustees of the
38 Teachers' Pension and Annuity Fund, the Board of Trustees of
39 the Police and Firemen's Retirement System of New Jersey and
40 the Consolidated Police and Firemen's Pension Fund Commission,
41 shall designate one of their members to serve as a member of the
42 State Investment Council herein established. The 5 members of
43 the council so selected shall serve as such for a period of 1 year
44 from the date of their selection and until their respective
45 successors are in like manner selected. [Each] Five of the
46 remaining [5] members of the State Investment Council shall be
47 appointed by the Governor, with the advice and consent of the
48 Senate, for a term of 5 years and shall serve until his successor is
49 appointed and has qualified[; except that of the first
50 appointments to be made by the Governor hereunder, one shall be
51 for a term of 1 year, one for a term of 2 years, one for a term of
52 3 years, one for a term of 4 years, and one for a term of 5 years,
53 and they shall serve until their respective successors are
54 appointed and have qualified. The term of each of the members

1 first appointed hereunder by the Governor shall be designated by
2 the Governor]. One member of the State Investment Council
3 shall be appointed by the Governor from among three persons
4 nominated jointly by the President of the Senate and the Speaker
5 of the General Assembly and shall serve for a term of 5 years and
6 until the member's successor is appointed and has qualified.

7 At least [3] 4 of the [5] 6 members appointed by the Governor
8 to the council shall be qualified by training and experience in the
9 field of investment and finance. No member of the State
10 Investment Council shall hold any office, position or employment
11 in any political party nor shall any such member benefit directly
12 or indirectly from any transaction made by the Director of the
13 Division of Investment provided for herein.

14 The members of the council shall elect annually from their
15 number a chairman of such council. Any member of the council
16 so elected shall serve as such chairman for a term of 1 year and
17 until his successor is, in like manner, elected. The chairman of
18 the council shall be its presiding officer.

19 The members of the council shall serve without compensation
20 but shall be reimbursed for necessary expenses incurred in the
21 performance of their duties as approved by the chairman of the
22 council.

23 Each member of the council, except the member appointed
24 from among persons nominated by the President of the Senate
25 and the Speaker of the General Assembly, may be removed from
26 office by the Governor, for cause, upon notice and opportunity to
27 be heard at a public hearing. Any vacancy in the membership of
28 the council occurring other than by expiration of term shall be
29 filled in the same manner as the original appointment, but for the
30 unexpired term only.

31 (cf: P.L.1966, c.189, s.1)]¹

32 ¹[33. (New section) Any reduction in employer contributions
33 to the Teachers' Pension and Annuity Fund, the Judicial
34 Retirement System, the Public Employees' Retirement System,
35 the Consolidated Police and Firemen's Pension Fund, the Police
36 and Firemen's Retirement System, and the State Police
37 Retirement System as a result of the revaluation of these
38 retirement systems under this act for the 1992 fiscal year shall
39 be refunded to the State before July 1, 1992.

40 In the case of payments of contributions to the Teachers'
41 Pension and Annuity Fund, any such refund to the State shall not
42 apply to or affect any reimbursements made to boards of
43 education for pension contributions for school year 1991-1992.]¹

44 ¹[34. (New section) Any payment of contributions to a
45 retirement system or pension fund required to be made by the
46 State on July 1, 1992 shall be due no later than June 30, 1993, and
47 any payment of contributions to a retirement system or pension
48 fund required to be made by any employer other than the State on
49 July 1, 1992 shall be due no later than April 1, 1993.]¹

50 ¹[35. (New section) The service of the trustees appointed by
51 the Governor to the board of trustees of the Police and
52 Firemen's Retirement System, the Public Employees'
53 Retirement System, the State Police Retirement System, and the
54 Teachers' Pension and Annuity Fund, and of the members

1 appointed by the Governor to the Consolidated Police and
2 Firemen's Pension Fund Commission, shall terminate at the end
3 of the sixth calendar month following the effective date of P.L.

4 , c. (C.) (now pending before the Legislature as this bill).]¹

5 ¹[36. (New section) The Division of Pensions in the
6 Department of the Treasury, created and established by P.L.1955,
7 c.70 (C.52:18A-95 et seq.), shall be known and be referred to as
8 the Division of Pensions and Benefits. Any reference in a law,
9 rule, regulation, judicial or administrative proceeding, or
10 otherwise to the Division of Pensions shall mean and refer to the
11 Division of Pensions and Benefits.]¹

12 ¹[37. (New section) The members of the State Investment
13 Council serving on the effective date of P.L. , c. (C.) (now
14 pending before the Legislature as this bill) shall continue in their
15 terms of office, but each appointment by the Governor to the
16 State Investment Council following that effective date shall be
17 subject to the advice and consent of the Senate.]¹

18 ¹[38. (New section) No present or future retirees of the
19 Teachers' Pension and Annuity Fund, the Judicial Retirement
20 System, the Public Employees' Retirement System, the
21 Consolidated Police and Firemen's Pension Fund, the Police and
22 Firemen's Retirement System, or the State Police Retirement
23 System shall receive any reduction in benefits or incur any
24 additional costs as a result of the provisions of P.L. , c.
25 (C.) (now pending before the Legislature as this bill).]¹

26 ¹[39. Section 12 of P.L.1966, c.67 (C.43:15A-37.1) is
27 repealed.]¹

28 ¹[40. (New section) Notwithstanding the provisions of section
29 29 of P.L.1992, c. (now pending as Senate, No. 1000 (1R)), the
30 Fiscal Year 1993 annual appropriations act, which section
31 requires the approval of the Director of the Division of Budget
32 and Accounting for the reappropriation of unexpended balances as
33 of June 30, 1992, an amount not less than \$769,000,000 refunded
34 to the State from the retirement systems pursuant to section 33
35 of P.L.1992, c. (C.) (now pending as this bill) is appropriated
36 as a resource to be reflected in the unobligated balance of the
37 General Fund for Fiscal Year 1993 on July 1, 1992.]¹

38 ¹[41. This act shall take effect immediately except that
39 section 40 shall take effect July 1, 1992.]¹

40 ¹19. (New section) There is hereby established the Retirement
41 Systems Actuary Selection Committee which shall consist of the
42 State Treasurer, and the directors of the Divisions of Pensions
43 and Benefits and Investment, and Office of Management and
44 Budget, or their designated representatives, and one member
45 designated by each of the boards of trustees of the Public
46 Employees' Retirement System, the Teachers' Pension and
47 Annuity Fund, and the Police and Firemen's Retirement System.
48 The committee shall select the actuary or actuaries for the State
49 retirement systems in accordance with the provisions of P.L.
50 1954, c. 48 (C.52:34-6 et seq.), provided, however, that the
51 boards shall have the power to veto the selection of the actuary
52 for valid reason.¹

53 ¹20. (New section) The Director of the Division of Pensions
54 shall annually communicate to the board of each pension system

1 the relevant factors used in calculating the State's contributions
2 to that system's accrued liability. Further, the pension boards
3 shall have access to all relevant actuarial information relating to
4 any actuarial matter under consideration by the boards, subject
5 to financial restraints imposed by the contract agreement.¹

6 ¹21. This act shall take effect immediately.¹

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11 Provides for revaluation of the various State-administered
12 retirement systems; makes certain changes in governance of
13 retirement systems.

1 to the Consolidated Police and Firemen's Pension Fund
2 Commission, shall terminate at the end of the sixth calendar
3 month following the effective date of P.L. , c. (C.) (now
4 pending before the Legislature as this bill).

5 36. (New section) The Division of Pensions in the Department
6 of the Treasury, created and established by P.L.1955, c.70
7 (C.52:18A-95 et seq.), shall be known and be referred to as the
8 Division of Pensions and Benefits. Any reference in a law, rule,
9 regulation, judicial or administrative proceeding, or otherwise to
10 the Division of Pensions shall mean and refer to the Division of
11 Pensions and Benefits.

12 37. (New section) The members of the State Investment
13 Council serving on the effective date of P.L. , c. (C.) (now
14 pending before the Legislature as this bill) shall continue in their
15 terms of office, but each appointment by the Governor to the
16 State Investment Council following that effective date shall be
17 subject to the advice and consent of the Senate.

18 38. (New section) No present or future retirees of the
19 Teachers' Pension and Annuity Fund, the Judicial Retirement
20 System, the Public Employees' Retirement System, the
21 Consolidated Police and Firemen's Pension Fund, the Police and
22 Firemen's Retirement System, or the State Police Retirement
23 System shall receive any reduction in benefits or incur any
24 additional costs as a result of the provisions of P.L. , c.
25 (C.) (now pending before the Legislature as this bill).

26 39. Section 12 of P.L.1966, c.67 (C.43:15A-37.1) is repealed.

27 40. (New section) Notwithstanding the provisions of section 29
28 of P.L.1992, c. (now pending as Senate, No. 1000 (1R)), the
29 Fiscal Year 1993 annual appropriations act, which section
30 requires the approval of the Director of the Division of Budget
31 and Accounting for the reappropriation of unexpended balances as
32 of June 30, 1992, an amount not less than \$769,000,000 refunded
33 to the State from the retirement systems pursuant to section 33
34 of P.L.1992, c. (C.) (now pending as this bill) is appropriated
35 as a resource to be reflected in the unobligated balance of the
36 General Fund for Fiscal Year 1993 on July 1, 1992.

37 41. This act shall take effect immediately except that section
38 40 shall take effect July 1, 1992.

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STATEMENT

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43 This bill provides for the revaluation of the assets of the
44 following retirement systems on the basis of market-related
45 value rather than book value: the Teachers' Pension and Annuity
46 Fund, the Public Employees' Retirement System, the Police and
47 Firemen's Retirement System, the Judicial Retirement System,
48 and the Consolidated Police and Firemen's Pension Fund and the
49 State Police Retirement System. In addition, the bill provides for
50 the prefunding of pension adjustment benefits and the premiums
51 for health benefits for retirees of the Judicial Retirement System
52 and the State Police Retirement System. Finally, the bill makes
53 various changes in the governance and operation of the
54 State-administered retirement systems.

55 With respect to revaluation, the bill requires the full valuation

1 of a system's assets as of 1989 for Police and Firemen's
2 Retirement System and 1990 for the other retirement systems.
3 This replaces the Governor's proposal to phase in the realization
4 of the gains from going to market-related value. The difference
5 between the 100% of full value and the approximately 60% of full
6 value that the Governor proposed for addressing budget shortfalls
7 is to be used to accelerate the funding of the liabilities for
8 pension adjustment and post-retirement health care benefits.

9 With respect to the governance and operation of the retirement
10 systems, the following changes are made:

11 1) Gubernatorial appointments to the boards of trustees of the
12 various systems shall be made with the advice and consent of the
13 Senate for specified terms of office, rather than appointment by
14 the Governor and service at the pleasure of the Governor.

15 2) Each board, rather than the State Treasurer, is empowered
16 to select the actuary of the system and each board is empowered
17 to select the legal advisor to the system if the board determines
18 that the Attorney General, who is specified by law as the legal
19 advisor, has a conflict of interest from the board's point of view
20 in representing the board on a matter or if the Attorney General
21 refuses to represent the board.

22 3) Each board is empowered to adopt an asset valuation
23 method for the purpose of determining the market-related value
24 of a system's assets, to recalculate the unfunded liability and
25 establish a new period of payment following a significant change
26 in benefits or actuarial assumptions, and to determine the
27 assumed percentage rate of increase regarding the cost of
28 providing paid health benefits for retirees (the board already has
29 power to set the assumed rate of salary increase as an actuarial
30 assumption for the purpose of calculating liabilities and employer
31 contributions).

32 4) The State Investment Council, rather than the State
33 Treasurer, is empowered to set the regular interest rate (on the
34 basis of which the present value of liabilities and the anticipated
35 growth of assets are calculated).

36 05) The regular interest rate is to bear a reasonable relationship
37 to the percentage rate of earnings on the assets of a retirement
38 system based on the market value of the assets but shall not
39 exceed the assumed percentage rate of salary increase plus 3%.

40 6) The five members of the State Investment Council who are
41 appointed by the Governor are to be appointed subject to the
42 advice and consent of the Senate. Provision is also made for the
43 appointment of an 11th member by the Governor from among
44 three persons nominated jointly by the President of the Senate
45 and the Speaker of the General Assembly.

46 7) The payment date for employer contributions to the
47 relevant retirement systems by employers other than the State is
48 changed from July 1, the beginning of the State's fiscal year, to
49 April 1 of the State's fiscal year and the penalty for late
50 payment is changed from 6% to 10% per annum.

51 Other provisions of the bill include (1) changing the name of
52 the Division of Pensions to the Division of Pensions and Benefits
53 and (2) requiring the State, beginning in FY1994, to pay 1.4% of
54 compensation to fund the enhanced retirement benefits given to

1 police and firemen under P.L.1979, c.109 (the present
2 requirement to pay 1.8% of that compensation is being repealed
3 by the bill).

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8 Provides for revaluation of the various State-administered
9 retirement systems; makes certain changes in governance of
10 retirement systems.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

September 10, 1992

ASSEMBLY BILL NO. 118

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14, of the New Jersey Constitution, I am returning Assembly Bill No. 118 with my objections for reconsideration.

On June 25, 1992, the Legislature presented me with Senate Bill No. 540, which -- consistent with my Budget Address in January -- provided for the comprehensive revaluation of the State's major pension funds, including the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS). As carried out in that bill, revaluation provided for a more realistic assessment of the true worth of the State's pension funds, and assured an adequate accumulation of reserves in the retirement systems at the lowest cost to both current and future taxpayers.

Although I supported the bill's central and most important features, on June 29 I returned the bill to the Legislature because, in my view, it failed to provide the State with an adequate degree of oversight with respect to the pension systems. The Legislature's bill provided for revaluation, which I supported, but it also made the serious mistake of shifting critical oversight responsibilities from the State to the pension boards, whose members represent not the voters of this State, but the beneficiaries of the pension funds. Accordingly, I recommended that the Legislature adopt a series of amendments designed to address this significant oversight problem and guarantee the fiscal integrity of the pension funds. The Legislature agreed with my proposed revisions, passed a revised version of the bill on June 30, and on the same day I signed S-540 as amended into law.

This bill would go a long way to unravel the significant progress we achieved when S-540 became law. This bill, in a variety of ways, would shift the power to determine how much the State must

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

contribute to these pension systems away from the politically accountable Executive Branch, and would grant that power to the individual pension boards which operate beyond the reach of the democratic process.

In particular, this bill would empower the individual boards, rather than the Department of Treasury, to select the funds' actuaries. In this case, this means that the boards will exercise enormous control over the actuarial calculations that directly determine how much the State -- and thus the taxpayers -- must contribute into the various pension funds.

This problem is doubly compounded by the bill's proposal to take the power to set the regular interest rate away from the Treasurer. One of the most important factors in determining the State's contribution is the so-called "spread" between the regular interest rate (the anticipated growth of a pension fund's assets) and the "salary assumption" (the anticipated growth in the salaries received by the fund's beneficiaries). Current practice permits the pension boards to set the salary assumptions. However, current law empowers the Treasurer to set the regular interest rate, based upon the Treasurer's expertise and knowledge with respect to financial matters of this kind. This bill would upset this fine balance by taking the power to set the interest rate away from the Treasurer, and then by capping the interest rate at 3% above the salary assumption set by the boards. By tying the interest rate to the salary assumption in this way, this bill grants the boards the power to drive the interest rate up or down regardless of how low the salary assumption is set. Under this bill, the State's contributions could fluctuate dramatically from year to year depending upon the board's determinations of the salary assumptions.

This bill shifts power to the pension boards in other ways that are detrimental to the people of this State. For example, this bill would permit each board, without consulting anyone in State government, to disqualify the Attorney General from representing the pension system. The Office of the Attorney General has a distinguished record of providing balanced and objective representation to these pension funds, a service that Office has

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

provided with equal distinction to all of State government. Under this bill, the pension boards would be entitled to select their own private attorneys merely by finding that a "conflict of interest" exists. By taking the traditional role of representing these funds away from the independent office of the Attorney General, this provision would further solidify the power to administer these critical State programs in the pension boards.

These changes would be highly detrimental to the interests of New Jersey's taxpayers. By concentrating the power to run these pension programs in the individual pension boards, this bill threatens to expose our taxpayers to higher taxes as a result of decisions made by private individuals who represent the interests of the beneficiaries of this program. It would allow individuals with no political accountability whatsoever to make decisions that could have an enormous fiscal impact on this State. The taxpayers of this State deserve a much greater degree of protection than this bill would provide.

As enacted, S-540 requires a large portion of the savings reaped from the revaluation of TPAF to be allocated to Foundation Aid. This bill, however, would require the State to devote an additional \$38.8 million of the TPAF savings to the school districts. As a result, this bill would have the effect of diverting nearly \$40 million out of the General Fund. It need hardly be said, of course, that the General Fund is in no condition to sustain such a significant expenditure.

Nevertheless, this bill does propose a few modifications that, I believe, would improve current law. First, the general idea of tying the interest rate to the salary assumption makes fiscal sense, so long as the Treasurer retains flexibility in the event that the salary assumption drops below a point that would have a dramatic effect upon the State's contributions. Second, this bill rightly points out that current law does not fix a valuation method for the years following 1993 -- a situation that could conceivably result in a retreat to book value. In several other instances, this bill

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

clarifies the language of the current law in such a way as to resolve statutory ambiguity.

For these reasons, I am returning this bill to the Legislature, with recommendations that it modify this bill to eliminate all of the provisions that would shift control over these pension funds away from the Executive Branch. And I am returning this bill to the Legislature with recommendations that it eliminate provisions that are technically flawed. However, I am recommending the adoption of several provisions that fine-tune current law. In particular, I am recommending that the market value method specified in current law be fixed for all years after 1993; that the interest rate be capped at 3% above salary assumption so long as the salary assumption does not fall below 6%; that pension boards be given access to information from the actuaries; and a variety of other technical amendments that, in my view, favorably clarify existing law.

Therefore, I herewith return Assembly Bill No. 118 and recommend that it be amended as follows:

Page 2, Section 1, Line 16: After "[interest as]" delete "the assumed" and insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%."

Page 2, Section 1, Lines 17-26: Delete in entirety.

Page 6, Section 2, Line 47: After "1966]" delete ", beginning with the valuation"; after "1990," delete "or for".

Page 6, Section 2, Lines 48-50: Delete in entirety.

Page 6, Section 2, Line 51: Delete "Pensions and the actuary,".

Page 7, section 2, Line 2: After "method" delete "adopted by the board of trustees after consultation with" insert "established in this section,".

Page 7, Section 2, Lines 3-4: Delete in entirety.

Page 7, Section 2, Line 5: Delete "assets,".

Page 7, Section 2, Line 16: After "The" delete "board of trustees" insert "State Treasurer".

Page 7, Section 2, Line 18: After "Pensions" insert ", the board of trustees".

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 7, Section 2, Line 21: After "rate." delete "The accrued liability".

Page 7, Section 2, Lines 22-23: Delete in entirety.

Page 7, Section 2, Line 24: Delete "assumptions."

Page 7, Section 2, Line 30: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991. The value of the assets for the valuation periods ending on or after March 31, 1992 shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period."

Page 7, Section 2, Line 31-37: Delete in entirety.

Page 8, Section 3, Lines 28-54: Delete in entirety.

Page 9, Section 3, Lines 1-18: Delete in entirety.

Page 9, Section 4, Lines 19-54: Delete in entirety.

Page 10, Section 4, Lines 1-4: Delete in entirety.

Page 10, Section 5, Lines 5-54: Delete in entirety.

Page 11, Section 5, Lines 1-18: Delete in entirety.

Page 11, Section 6, Line 19: Delete "6" insert "3".

Page 11, Section 6, Line 26: Delete "board in a manner" insert "the Retirement Systems Actuary Selection Committee established by P.L. , c. (currently pending before the Legislature as this bill)."

Page 11, Section 6, Lines 27-31: Delete in entirety.

Page 11, Section 6, Line 37: After "if the" delete "board" insert "Attorney General".

Page 11, Section 6, Line 40: After "system" delete "or if the Attorney General refuses to".

Page 11, Section 6, Line 41: Delete "represent the board".

Page 12, Section 7, Line 1: Delete "7" insert "4".

Page 13, Section 7, Line 8: After "[interest as]" delete "the assumed rate of" and insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 13, Section 7, Lines 9-18: Delete in entirety.

Page 14, Section 8, Line 1: Delete "8" insert "5".

Page 14, Section 8, Line 30: Delete "State House Commission in a manner similar" insert "the Retirement Systems Actuary Selection Committee established by P.L. , c. (currently pending before the Legislature as this bill)."

Page 14, Section 8, Lines 31-33: Delete in entirety.

Page 14, Section 8, Line 34: Delete "and supplementary act."

Page 14, Section 8, Line 39: After "if the" delete "State House Commission" insert "Attorney General".

Page 14, section 8, Line 42: After "system" delete "or if the Attorney General".

Page 14, Section 8, Line 43: Delete "refuses to represent the commission".

Page 15, Section 9, Line 10: Delete "9" insert "6".

Page 15, Section 9, Line 37: After "subsection d]" delete "beginning with the valuation".

Page 15, Section 9, Lines 38-40: Delete in entirety.

Page 15, Section 9, Line 41: Delete "Division of Pensions and actuary,".

Page 15, Section 9, Line 43: After "valuation method" delete "adopted by the" insert "established in this section,"

Page 15, Section 9, Line 44-45: Delete in entirety.

Page 15, Section 9, Line 46: Delete "reasonably reflect the market value of the assets,".

Page 16, Section 9, Line 2: After "The" delete "commission" insert "State Treasurer".

Page 16, Section 9, Line 4: After "Pensions" insert ", the commission".

Page 16, Section 9, Line 7: After "rate." delete "The accrued liability".

Page 16, Section 9, Lines 8-9: Delete in entirety.

Page 16, Section 9, Line 10: Delete "assumptions."

Page 16, Section 9, Line 15: After "date." insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991. The value of the assets for the valuation periods ending on or after March 31, 1992 shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 16, Section 9, Lines 16-23: Delete in entirety.

Page 17, Section 10, Lines 15-52: Delete in entirety.

Page 17, Section 11, Lines 53-54: Delete in entirety.

Page 18, Section 11, Lines 1-3: Delete in entirety.

Page 18, Section 12, Line 4: Delete "12" insert "7".

Page 19, Section 12, Lines 17: After "as]" delete "the assumed rate" insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%."

Page 19, Section 12, Lines 18-27: Delete in entirety.

Page 22, Section 13, Lines 20-54: Delete in entirety.

Page 23, Section 13, Lines 1-42: Delete in entirety.

Page 23, Section 14, Line 43: Delete "14" insert "8".

Page 23, Section 14, Lines 52: After "reason]" delete "board in a manner similar to the invitation to bids and the" insert "the Retirement Systems Actuary Selection Committee established by P.L. , c. (currently pending before the Legislature as this bill)."

Page 23, Section 14, Lines 53-54: Delete in entirety.

Page 24, Section 14, Lines 1-2: Delete in entirety.

Page 24, Section 14, Line 8: After "the" delete "board" insert "Attorney General".

Page 24, Section 14, Line 11: After "system" delete "or if the Attorney General refuses to".

Page 24, Section 14, Line 12: Delete "represent the board".

Page 24, Section 15, Line 28: Delete "15" insert "9".

Page 25, Section 15, Line 7: After "37.1]" delete ", beginning with the valuation".

Page 25, Section 15, Line 8: After "1990," delete "or for any subsequent valuation following a significant".

Page 25, Section 15 Lines 9-10: Delete in entirety.

Page 25, Section 15, Lines 11: Delete "Division of Pensions and the actuary,".

Page 25, Section 15, Line 16: After "method" delete "adopted by the board of trustees after" insert "established in the section,".

Page 25, Section 15, Lines 17-18: Delete in entirety.

Page 25, Section 15, Line 19: Delete "market value of the assets,".

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 25, Section 15, Line 37: After "The" delete "board of" insert "State Treasurer".

Page 25, Section 15, Line 38: Delete "trustees".

Page 25, Section 15, Line 39: After "Pensions" insert ", the board of trustees".

Page 25, Section 15, Line 42: After "rate." delete "The accrued liability".

Page 25, Section 15, Lines 43-44: Delete in entirety.

Page 25, Section 15, Line 45: Delete "assumptions".

Page 25, Section 15, Line 51: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991. The value of the assets for the valuation periods ending on or after March 31, 1992 shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period."

Page 25, Section 15, Lines 52-54: Delete in entirety.

Page 26, Section 15, Lines 1-4: Delete in entirety.

Page 26, Section 16, Lines 29-54: Delete in entirety.

Page 27, Section 16, Lines 1-29: Delete in entirety.

Page 27, Section 17, Lines 30-54: Delete in entirety.

Page 28, Section 17, Lines 1-4: Delete in entirety.

Page 28, Section 18, Lines 5-40: Delete in entirety.

Page 28, Section 19, Line 41: Delete "19" insert "10".

Page 31, Section 19, Line 3: After "method" delete "adopted by the commission after" insert "established in this section,".

Page 31, Section 19, Line 4: Delete in entirety.

Page 31, Section 19, Line 5: Delete "and Pensions and the actuary,".

Page 31, Section 19, Line 20: After "date." insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991. The value of the assets for the valuation periods ending on or after March 31, 1992 shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

period (the difference between the benefits paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period."

Page 31, Section 19, Lines 21-28: Delete in entirety.

Page 31, Section 19, Line 33: After "bill)" delete ", except that the assumptions for".

Page 31, Section 19, Lines 34-38: Delete in entirety.

Page 31, Section 19, Line 39: Delete "1992".

Page 31, Section 20, Lines 41-54: Delete in entirety.

Page 32, Section 20, Lines 1-45: Delete in entirety.

Page 32, Section 21, Line 46: Delete "21" insert "11".

Page 33, Section 21, Line 5: After "the" delete "commission" insert "Attorney General".

Page 33, Section 21, Line 7: After "system" delete "or if the".

Page 33, Section 21, Line 8: Delete "Attorney General refuses to represent the commission".

Page 33, Section 21, Line 13: After "reason]" delete "commission in" insert "the Retirement Systems Actuary Selection Committee established by P.L. c. (currently pending before the Legislature as this bill)."

Page 33, Section 21, Lines 14-17: Delete in entirety.

Page 33, Section 22, Line 18: Delete "as this bill)."

Page 33, Section 22, Line 22: Delete "22" insert "12".

Page 34, Section 22, Line 31: After "as]" delete "the assumed" insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%."

Page 34, Section 22, Lines 32-41: Delete in entirety.

Page 35, Section 23, Line 1: Delete "23" insert "13".

Page 36, Section 23, Line 14: After "as]" delete "the assumed" insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%."

Page 36, Section 23, Lines 15-24: Delete in entirety.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 38, Section 24, Line 23: Delete "24" insert "14".

Page 39, Section 24, Line 34: After "if the" delete "board" insert "Attorney General".

Page 39, Section 24, Line 36: After "system" delete "or if the".

Page 39, Section 24, Line 37: Delete "Attorney General refuses to represent the board".

Page 39, Section 24, Line 54: After "reason]" delete "board in a manner similar to the invitation to bids and the" insert "the Retirement Systems Actuary Selection Committee established by P.L. , c. (currently pending before the Legislature as this bill)."

Page 40, Section 24, Lines 1-3: Delete in entirety.

Page 40, Section 24, Line 4: Delete "Legislature as this bill)."

Page 40, Section 25, Line 28: Delete "25" insert "15".

Page 41, Section 25, Line 27: After "Treasurer]" delete ", beginning with the".

Page 41, Section 25, Line 28: Delete "valuation"; after "1989," , delete "or for any subsequent valuation".

Page 41, Section 25, Lines 29-31: Delete in entirety.

Page 41, Section 25, Line 32: Delete "actuary,".

Page 41, Section 25, Line 34: After "method" delete "adopted by the board of trustees after consultation with" insert "established in this section,".

Page 41, Section 25, Lines 35-36: Delete in entirety.

Page 41, Section 25, Line 37: Delete "assets,".

Page 41, Section 25, Line 48: After "The" delete "board of trustees" insert "State Treasurer".

Page 41, Section 25, Line 49: After "Pensions" insert ", the board of trustees".

Page 41, Section 25, Line 52: After "rate."" delete "The".

Page 41, Section 25, Lines 53-54: Delete in entirety.

Page 42, section 25, Line 1: Delete "actuarial assumptions."

Page 42, Section 25, Line 6: After "date." insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991. The value of the assets for the valuation periods ending on or after March 31, 1992 shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 42, Section 25, Lines 7-14: Delete in entirety.

Page 43, Section 26, Lines 28-49: Delete in entirety.

Page 43, Section 27, Line 50: Delete "27" insert "16".

Page 45, section 27, Line 6: After "interest as]" delete "the assumed rate of" insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%."

Page 45, Section 27, Lines 7-16: Delete in entirety.

Page 45, Section 28, Line 47: Delete "28" insert "17".

Page 47, Section 28, Line 5: After "reason]" delete "board in a manner similar to the invitation to bids and the" insert "the Retirement Systems Actuary Selection Committee established by P.L. , c. (currently pending before the Legislature as this , bill)."

Page 47, Section 28, Lines 6-8: Delete in entirety.

Page 47, Section 28, Line 9: Delete "Legislature as this bill)."

Page 47, Section 28, Line 14: After "if the" delete "board" insert "Attorney General".

Page 47, Section 28, Line 17: After "system" delete "or if the Attorney General refuses to".

Page 47, Section 28, Line 18: Delete "represent the board".

Page 47, Section 29, Line 40: Delete "29" insert "18".

Page 48, Section 29, Line 17: After "act]" delete ", beginning with the valuation".

Page 48, Section 29, Line 18: After "1990," delete "or for any subsequent valuation following a".

Page 48, Section 29, Lines 19-20: Delete in entirety.

Page 48, Section 29, Line 21: Delete "Director of the Division of Pensions and the actuary,".

Page 48, Section 29, Line 23: After "method" delete "adopted by the board" insert "established by this section,".

Page 48, Section 29, Lines 24-25: Delete in entirety.

Page 48, Section 29, Line 26: Delete "reasonable reflect the market valuation of the assets,".

Page 48, Section 29, Line 36: After "The" delete "board of trustees" insert "State Treasurer".

Page 48, Section 29, Line 38: After "Pensions" insert ", the board of trustees".

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

4 Page 48, Section 29, Line 41: After "rate." delete "The accrued liability".

Page 48, Section 29, Lines 42-43: Delete in entirety.

Page 48, Section 29, Line 44: Delete "assumptions."

Page 48, Section 29, Line 49: After "date." insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991. The value of the assets for the valuation periods ending on or after March 31, 1992 shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period."

Page 48, Section 29, Lines 50-54: Delete in entirety.

Page 49, Section 29, Lines 1-3: Delete in entirety.

Page 49, Section 30, Lines 41-54: Delete in entirety.

Page 50, Section 30, Lines 1-24: Delete in entirety.

Page 50, Section 31, Lines 25-29: Delete in entirety.

Page 50, Section 32, Lines 30-54: Delete in entirety.

Page 51, Section 32, Lines 1-31: Delete in entirety.

Page 51, Section 33, Lines 32-43: Delete in entirety.

Page 51, Section 34, Lines 44-49: Delete in entirety.

Page 51, Section 35, Lines 50-54: Delete in entirety.

Page 52, Section 35, Lines 1-4: Delete in entirety.

Page 52, Section 36, Lines 5-11: Delete in entirety.

Page 52, Section 37, Lines 12-17: Delete in entirety.

Page 52, Section 38, Lines 18-25: Delete in entirety.

Page 52, Section 39, Line 26: Delete in entirety.

Page 52, Section 40, Lines 27-36: Delete in entirety.

Page 52, Section 41, Lines 37-38: Delete in entirety, insert:

"19. There is hereby established the Retirement Systems Actuary Selection Committee which shall consist of the State Treasurer, and the directors of the Divisions of Pensions and Benefits and Investment, and Office of Management and Budget, or their designated representatives, and one member designated by each of the boards of trustees of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System, provided, however, that the boards shall have the power to veto the selection of the actuary for valid reason. The committee shall select the actuary or actuaries for the State retirement systems in accordance with the provisions of P.L. 1954, c. 48 (C. 52:34-6 et seq.).

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

"20. The Director of the Division of Pensions shall annually communicate to the boards of each pension system the relevant factors used in calculating the State's contributions to that system's accrued liability. Further, the pension boards shall have access to all relevant actuarial information relating to any actuarial matter under consideration by the boards, subject to financial restraints imposed by the contract agreement."

"21. This act shall take effect immediately."

Respectfully

/s/ Jim Florio

GOVERNOR

[seal]

Attest:

/s/ M. Robert DeCotiis

Chief Counsel to the Governor